
Office of the State Auditor: Authority and Responsibilities

The Office of the State Auditor (OSA) operates under the direction of the State Auditor, A. Joseph DeNucci, an independently elected constitutional officer. The OSA provides the Governor, the Legislature, auditees, oversight agencies, and the general public with an independent evaluation of the various agencies, activities, and programs operated by the Commonwealth. As mandated by Chapter 11, Section 12, of the Massachusetts General Laws (MGLs), the State Auditor conducts audit work at least once every two years at all departments, offices, commissions, health and higher education institutions, and agencies of the Commonwealth, including its court system and authorities. Not including special audit projects, the number of primary entities requiring audit coverage totals approximately 500. The Auditor also performs audits of vendors and contractors that do business with the Commonwealth and its instrumentalities. Furthermore, under Chapter 7, Sections 52 through 55, MGLs, the Auditor carries out mandated responsibilities relative to privatization initiatives. In addition, the Auditor is responsible, under Chapter 11, Section 6B, MGLs, for the Division of Local Mandates, which is charged primarily with determining the financial impact of legislation and regulations on cities and towns.

The OSA conducts financial, performance, and Information Technology audits in accordance with “Government Auditing Standards” issued by the Comptroller General of the United States. These standards are known in the profession both as Generally Accepted Government Auditing Standards and as the Yellow Book standards.

OSA audit activities include the following objectives:

- Attesting to the fair presentation, accuracy, and reliability of an auditee’s financial statements;
- Determining whether the Commonwealth’s resources are properly safeguarded;
- Determining whether such resources are properly and prudently used;
- Determining an auditee’s compliance with legal and regulatory requirements;
- Obtaining an understanding of an entity’s internal control structure;
- Evaluating management’s economy and efficiency in its use of resources;
- Determining and evaluating a program’s results, benefits, or accomplishments; and
- Ensuring that all audit results are disclosed to the public and the auditees.

All OSA audit results and recommendations are intended to assist agency and program administrators by indicating areas where accounting and administrative controls, financial operations, program results, and efficiency and effectiveness can be improved. The OSA also offers technical assistance where appropriate. In short, the OSA is not simply a critic but is an agent, an advocate, and a catalyst for improved management and delivery of government services.

Audit Results, Recommendations, Initiatives, and Corrective Actions: Overview

During the report period January 1, 2002 through June 30, 2002 the Office of the State Auditor issued reports covering 132 agencies, authorities, institutions of public higher education, human service entities, judiciary/law enforcement entities, and various other state activities. For a complete listing of audit reports, see the Appendix on page 88. In these reports the OSA disclosed millions of dollars in financial and operational deficiencies and provided recommendations intended to safeguard the Commonwealth's assets and to improve the effectiveness and efficiency of governmental operations.

Each type of entity audited by the OSA is governed by particular laws and regulations; is required to maintain financial records properly; and is expected to operate economically and effectively. OSA audits are not intended to sensationalize, but rather to present an accurate appraisal of financial management, legal compliance, and, where appropriate, program effectiveness and efficiency.

Audit results and recommendations are important to auditees, and in a majority of instances auditees have indicated a willingness to take appropriate corrective actions. Audit results, viewed in the aggregate, give focus to problem areas for legislators and administration officials and, along with critical individual audit results, are the basis of OSA legislative and administrative initiatives and recommendations.

The following information demonstrates that OSA audits have promoted the safeguarding and enhancement of the Commonwealth's assets and also have assisted auditees in creating solutions that improve their financial and managerial operations.

Education Audits

During the report period, the OSA released audits covering ten education entities. Four of these reports reviewed Information Technology (IT) activities and are detailed in the IT Audit Section, which begins on page 55.

Audit Results

Deficiencies in Contract Procurement and Oversight

The execution of formal contracts, in conjunction with adequate contract monitoring, helps to contain contract costs and to ensure contract performance. The following issues, relative to contract administration controls, were noted.

- The Sturgis Charter School, contrary to Department of Education (DOE) guidelines and its own internal policies, noncompetitively awarded its landlord four renovation project contracts totaling \$1,062,368. In addition, the School did not enter into formal written contracts for two of these projects, did not obtain formal board approval for \$280,000 in renovations, did not properly disclose the \$280,000 in renovation costs in its financial statements, and did not include language required by DOE in its \$280,000 loan agreement that would have limited the Commonwealth's liability for the repayment of these funds. As a result of these deficiencies, neither the Sturgis Charter School nor the Commonwealth could be assured that the School's renovations were obtained at the lowest possible cost, that the financial interests of the School and the Commonwealth were properly safeguarded, or that DOE was properly informed of the School's financial condition.
- The University of Massachusetts at Amherst's Auxiliary Dining Services division did not have written policies and procedures for the procurement of its vendor contract for the supply of fruits and vegetables. Consequently, members of its evaluation team did not have uniform guidelines for measuring and scoring award determination criteria, resulting in a questionable assignment of points and other evaluation criteria issues. For example, certain evaluating criteria were not considered, were added to the criteria list after issuance of the Request for Responses, or were vague and subject to individual interpretation. Furthermore, because officials did not properly monitor this vendor contract after it was awarded, the University was unable to verify that the vendor adhered to agreed-upon profit markups. In fact, OSA tests indicated that the University was overcharged for certain goods. University officials responded that they were taking action to address the contract procurement and monitoring issues identified by the OSA.

Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls assist entities in maximizing revenue potential and minimizing vulnerabilities to waste and lost income. They also assist in ensuring compliance with the specific rules, regulations, and guidelines that govern individual state and contract programs. An audit of the Sturgis Charter School, conducted pursuant to Chapter 46 of the Acts of 1997, disclosed several areas in which internal controls and management procedures needed to be strengthened.

- The Sturgis Charter School had not developed and implemented effective internal control systems over many aspects of its operations. Specifically, School officials had not developed written policies and procedures relative to accounting transactions; had not bonded certain key employees, which could expose the agency to financial losses; and had not developed a chart of accounts to identify expenditures incurred against each federal and state grant. As a result, there was inadequate assurance that the School's transactions were properly authorized, recorded, and reported and that all of its grant funds were expended for the purposes stipulated in written grant agreements.
- The Sturgis Charter School submitted inflated pre-enrollment figures to the Department of Education (DOE) in each of its first three years of operation. Since pre-enrollment figures are used by DOE to determine first and second quarterly tuition reimbursements for the following year, the School obtained \$526,498 in excessive funding for three six-month periods preceding adjustments made by DOE based on actual student enrollment. In addition to receiving what amounted to short-term interest-free loans, the School, in submitting erroneous student enrollment figures, misrepresented its actual fiscal condition. Based on projected enrollment figures, DOE could reasonably expect the School to substantially meet its financial obligations. However, the inability to meet projected student enrollment figures and the consequent return of hundreds of thousands of dollars in the first and second quarters of three successive academic years created serious financial problems for the School that remained unresolved at the close of the audit period.

-
- The Sturgis Charter School did not realize many of the program and operational objectives delineated in its original charter application as of completion of its third year of operation. For example, the School had not met the eligibility requirements for membership in the International Baccalaureate Organization, although participation in this consortium's rigorous programs was a fundamental premise of the School's application and a key factor in the award of its charter. In addition, the School was not offering the range of arts and athletic programs listed in its charter application and had not invited the community to participate in any of its extracurricular activities. Finally, the School's founders had not accurately disclosed in their charter application the amount of capital funding that would be needed for facility renovations. These deficiencies could jeopardize the renewal of the School's charter upon its expiration on June 30, 2003. However, the audit also noted that the School has achieved some significant academic goals in that its students ranked in the top 12% in the tenth-grade Massachusetts Comprehensive Assessment System (MCAS) tests and, compared with tenth grade students in eleven other charter schools, ranked number one in each academic area.
 - The Sturgis Charter School, in violation of several state statutes, did not remit to the Massachusetts Teachers Retirement System (MTRS), on a monthly basis, funds that it withheld from teachers and eligible staff. School officials instead expended these withholdings on operational activities. As a result, MTRS lost the opportunity to invest these funds, and the School risked not having the funds available to pay for these individuals' retirement.

Inadequate Controls over Property and Equipment

All state entities are required to keep complete inventories of fixed assets in order to ensure that property and equipment are safeguarded and used for the purposes intended. The following reports identified areas where inventory controls needed improvement.

- Salem State College notified the OSA of eight thefts of equipment, including computers and a camcorder, valued at \$5,968. Pursuant to Chapter 647 of the Acts of 1989, the Internal Control Statute, the OSA examined the control environment and made recommendations for its improvement. The OSA review determined that most of the problems occurred as a result of unsupervised access to equipment. In five of the eight cases, equipment was simply taken from an area without anyone noticing. The remaining thefts involved misplaced items, two of which were of little value and one of which was found. The OSA recommended that the School update all components of its internal control plan, which as of the audit period was not in full compliance with state requirements. This update should include written policies and procedures for restricting access to fixed assets. In addition, all thefts must be reported to the OSA immediately after they become known in order to promote timely corrective action. In this case, the reports were filed together in a batch format, although they had occurred at different times during the year.
- Westfield State College did not properly tag all equipment items and did not update inventory records when equipment was removed from service. In addition, in some instances equipment was relocated, sometimes off-campus, without proper authorization. As a result, the College's fixed assets were exposed to potential loss, theft, or misuse. College officials took appropriate corrective action while the audit was in progress by updating inventory records, replacing missing bar-code identification tags, and reminding department heads to adhere to specified procedures regarding the relocation of equipment.

Noncompliance with Federal Regulations Regarding Student Assistance

The OSA, in this audit period, completed two reviews of student financial assistance programs funded through the United States Department of Education (DOE). These reviews were conducted in conjunction with the Single Audit of the Commonwealth for the fiscal year ended June 30, 2001 to determine adherence to the *Recipient's Guide for the U.S. Department of Education Payment Management System*. Failure to comply with federal regulations could potentially jeopardize a school's eligibility to participate in certain federal financial aid programs, thereby limiting access to affordable education.

- Roxbury Community College could not provide OSA auditors with the information and documentation necessary for them to conduct an audit of the College's financial assistance awards and programs for the period July 1, 2000 through June 30, 2001. The College did not have written policies and procedures for administering financial aid; did not have systems in place for accurately processing, recording, and reporting student financial assistance data; and did not have adequate staff to administer its financial aid programs. As a result, the OSA withdrew from the audit on August 21, 2001, noting that the College was risking federal sanctions, including suspension from participation in federal financial assistance programs. At the request of the College, the OSA conducted a second review, beginning on October 30, 2001, which found that student files were more complete and procedures for processing awards had been improved. However, hundreds of thousands of dollars in potential adjustments that the College must make to account for awards to ineligible students had not been included on financial reports filed with the federal government. In addition, the College was late in making awards and still needed to improve its system for identifying unofficial student withdrawals and processing pro-rata refunds. The OSA recommended that the College assign the personnel necessary to administer and process student financial assistance in a timely and accurate manner, to reconcile records, to make and report appropriate adjustments, and, where required, to return funds to grantor agencies.

- Roxbury Community College had still not fully resolved issues relative to a 1995 federal DOE review of its English as a Second Language (ESL) program. The review, conducted by DOE's Office of the Inspector General (OIG), cited the College for improperly disbursing \$2.2 million in assistance to students who were taking only ESL courses. The College, in response, filed a series of appeals, arguing that many of the students cited in the federal report were enrolled in a degree program in addition to taking ESL classes. The OSA, in an audit that followed up on the status of the federal findings, found that although the College's system of categorizing students created difficulties in assessing eligibility for federal financial aid, approximately 50% of the students found ineligible in the OIG report were, in fact, enrolled in a liberal arts degree program. After two appeals, which reduced the original judgment, the College filed a further appeal based in part on its mission. Subsequent to the current audit period, DOE issued a final decision stating that the College must repay \$200,488 for awarding financial assistance to ineligible ESL students and \$1,075 for awarding aid to a 15-year old student. The OSA recommended that all funds owed to DOE be repaid, finally resolving the issue. College officials responded that they are meeting with representatives of DOE concerning their obligation to return the funds in question.
- Salem State College continued to have deficiencies in its recordkeeping for federal financial aid programs and its preparation of required federal program reports. For fiscal year 2001, the College had unreconciled cash balances for two grants programs. Moreover, bank statements detailing cash drawdowns were not reconciled with balances in the College's general ledger. As a result, the College could not be assured that funds received through federal grant programs were adequately safeguarded or that expenditures and cash balances were accurately reported on financial statements.
- Salem State College did not maintain certain student loan funds in interest-bearing accounts, contrary to federal regulations. As a result, the College lost approximately \$1,713 in potential interest in fiscal year 2001. College officials responded that they would move the funds into interest-bearing accounts as required.

-
- Salem State College did not return funds to program accounts for students not attending classes. The total amount of the funds to be returned was \$51,945. College officials stated that they were late in identifying unofficial student withdrawals because they were installing a new computer system that, when implemented, will improve procedures for determining withdrawal dates and properly repaying applicable financial assistance programs. The College also needed to improve procedures for refunding credit balances to students and notifying the Loan Origination Center of all student loans.

Initiatives

The following is an update of ongoing initiatives in the area of education.

Student Financial Aid Programs

- The OSA is continuing audits of federal student financial assistance programs at the Commonwealth's institutions of public higher education.

Review of State-Funded Child Care Services

- The OSA has issued a statewide audit that examines the extent to which state-funded child care services are available to eligible families throughout the Commonwealth. This review includes audit work at the Department of Education (DOE), the Office for Child Care Services (OCCS), and selected day care providers. This report, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

Monitoring and Recordkeeping Requirements: Foreign Non-Immigrant Students

- The OSA has issued an audit that examines whether state public college and university records regarding foreign non-immigrant students are complete, up-to-date, and in compliance with the recordkeeping and reporting requirements detailed in state and federal laws and regulations. This report, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

Health and Human Services Audits

During the report period, the OSA issued audits pertaining to twelve health and human service entities and contractors. Four of the reports reviewed Information Technology (IT) activities and are detailed in the IT Audit Section, which begins on page 55.

Audit Results

Deficiencies in Contract Procurement and Oversight

The execution of formal contracts, in conjunction with adequate contract monitoring, helps to contain contract costs and to ensure contract performance. The following entity needed to improve its contract administration controls.

- Clarendon Family Day Care, Inc., a nonprofit corporation that provides childcare services and meals programs, noncompetitively awarded a \$63,965 contract for the lease of office equipment. Moreover, Clarendon Family Day Care's financial manager, who was the son of the agency's Executive Director, owned the company that received the contract. As a result, the agency did not fully comply with state regulations for related-party transactions and could not be assured that it received the highest quality contracted services at the lowest cost. The OSA further noted that the agency could have saved approximately \$43,865 over the life of the lease had it purchased rather than leased the equipment. The agency concurred with this finding and has taken action to establish guidelines for the procurement of goods and services in accordance with state and federal regulations.
- The Corporation for Public Management, Inc., a nonprofit organization that operates community support programs for low-income people with special needs, had not implemented adequate controls relative to its administration of contracts. Specifically, the agency did not routinely enter into formal written agreements with its contractors and did not maintain adequate documentation to substantiate all the expenses its officials charged against state contracts for these goods and services. As a result, several contract administration issues were disclosed, including questionable payments totaling \$216,305 by the agency to subcontractors and expenditures of \$7,149 for non-program-related activities.
- The Executive Office of Elder Affairs (EOEA) did not maintain documentation to verify that its vendors and subrecipients were not under debarment or suspension orders. Moreover, EOEA's federal contracts did not include required debarment certifications, and its award process did not include a check of the federal debarment listing. As a result, the agency lacked assurance that its vendors were eligible to receive federal funds. In addition, EOEA risked contracting with vendors with records of serious violations of state and federal laws.

Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls assist entities in maximizing revenue potential and minimizing vulnerabilities to waste and lost income. They also assist in ensuring compliance with the specific laws, rules, regulations, and guidelines that govern individual state and contract programs. The following internal control issues were noted.

- Clarendon Family Day Care, Inc., did not have written finance policies and procedures and did not adequately segregate financial transaction duties so that the work of one employee could act as a check on that of another. In addition, the agency did not establish adequate controls over the use of corporate credit cards, which resulted in \$737 in undocumented and unallowable credit card expenses. These weaknesses, unless corrected, expose the agency to the risk that further errors and irregularities may occur and that additional funds may be misappropriated.
- Clarendon Family Day Care, Inc., did not have a properly constituted Board of Directors to oversee its operations. Contrary to the terms and conditions of its state contracts, during the audit period, the agency's Board of Directors had as few as four members. Furthermore, two of the board members were related and were also employees of the agency, which created a potential conflict-of-interest situation. Audit testing also disclosed several instances in which significant agency transactions had not been formally approved by the board. Certain problems, including noncompetitively awarded contracts to family members, might have been avoided if a properly constituted Board of Directors had been in place.
- The Corporation for Public Management, Inc., needed to improve its general financial management practices. The agency did not have an acceptable plan for allocating its indirect costs, which averaged approximately \$1.4 million annually; program staff did not always adhere to agency policies relative to the maintenance of payroll records; and Board of Director meetings were often conducted without a quorum present. In addition, inadequate controls over accounts receivable resulted in uncollected revenues of \$37,194; and inadequate controls over petty cash resulted in insufficiently documented expenditures totaling \$8,775.

- The Executive Office of Elder Affairs (EOEA) did not comply with all requirements set by the federal government for state agencies receiving federal funds. For example, EOEA had not developed an actual indirect cost allocation for billing federal programs and also processed monthly payments to five Area Agencies on Aging (AAA) based on budgeted amounts rather than on actual costs incurred. Regarding issues of documentation, EOEA did not document that salaries charged to federal programs reflected employees' actual hours spent on these programs and did not require that AAAs submit detailed invoices to support reimbursement requests. In addition, several reconciliation issues were noted. Specifically, EOEA did not properly reconcile funds disbursed to AAAs with the actual expenses reported by the AAAs and did not ensure that amounts reported as expended by the AAAs agreed with disbursements recorded in the Commonwealth's electronic accounting system. Finally, EOEA needed to improve its monitoring of AAA expenditures and its procedures for assessing the quality and effectiveness of AAA programs. EOEA responded that it was working to resolve all of the issues identified in the audit.
- Health and Education Services, Inc., a private nonprofit behavioral health service network, did not have adequate documentation to substantiate that all of the \$86,014 that the agency received under its Victim Assistance Grant from the Massachusetts Office of Victim Assistance was used for group counseling services, as intended. Agency officials responded by more specifically documenting group-counseling sessions held, outreach efforts, and program attendance.

-
- New England Aftercare Ministries, Inc.'s chief funding source, the Department of Public Health, notified the OSA of a theft of at least \$24,493 in client funds by a former employee of the private agency. Pursuant to the provisions of Chapter 647 of the Acts of 1989, the Internal Control Statute, the OSA conducted a review of the agency's control environment and made recommendations for its improvement. This review identified significant internal control deficiencies, including a lack of written policies and procedures for monitoring client fund activity and insufficient segregation of financial duties, which allowed the theft to occur. Specifically, the agency had allowed its former Operations Manager to control all aspects of client fund transactions. Because there were no checks and balances and oversight was insufficient, this employee was able to withdraw funds from the Residents' Fund for his personal use. The OSA, in documenting the extent of the theft, broadened the time frame for examination and identified an additional \$2,953 in missing funds. Although the agency moved immediately to establish a written policy for the use and control of funds in the Residents' Fund account, segregation of duties remained inadequate with the Program Director initiating, documenting, and approving account transactions. Until this issue is addressed, client funds at New England Aftercare Ministries remain vulnerable to theft and misuse. See page 71.
 - New England Aftercare Ministries needed to improve various additional aspects of its operations. The OSA's review noted, for example, that the agency's hourly employees did not sign their weekly attendance records, and salaried employees were not required to complete any records of time and attendance. Additionally, the agency did not keep records of employees' paid leave accruals. As a result, there was inadequate assurance that \$422,752 in payroll expenses that New England Aftercare Ministries charged against its state contracts during the audit period was appropriate. Furthermore, the agency had not effectively implemented agency-wide personnel policies and procedures and had not established adequate controls over the disbursement of agency funds. The OSA recommended that the Board of Directors increase its oversight of disbursement procedures, including the requiring of dual signatures on all checks over a specified amount.
-

- Toward Independent Living and Learning, Inc., a nonprofit agency that provides services to children and adults with autism and developmental disabilities, did not have written accounting policies and procedures or an accounting manual to help ensure the accuracy of its financial transactions, reports, and recordkeeping. In addition, the agency's accounting system did not adequately document personnel and related-party costs. As a result, there was inadequate assurance that financial transactions involving Commonwealth funds were properly authorized, recorded, and reported. Furthermore, these deficiencies contributed to additional administrative problems discussed below. See page 72.
- Toward Independent Living and Learning, Inc., failed to adequately disclose at least five related-party relationships and transactions during the period covered by the audit. Furthermore, the agency used state funds to subsidize the payroll expenses of a related party and to provide a down payment on property being purchased by one of its related parties. Finally, the agency did not make available to the OSA some of the documentation requested relative to related-party activities. Consequently, audit testing in this area was impaired, and the OSA recommended that the Department of Mental Retardation, the agency's chief funding source, conduct its own further review and recover from the agency all funds deemed appropriate. See page 72.
- Toward Independent Living and Learning, Inc., did not require its salaried employees to complete weekly payroll records documenting their hours worked and the way in which work time was allocated among various programs. As a result, there was inadequate assurance that all of the approximately \$3,203,587 in salaries and related costs that the agency charged to state contracts for its salaried employees during the audit period was accurate.

Inadequate Controls over Property and Equipment

All state and private entities that receive funding for the purchase of equipment are required to keep complete inventories of fixed assets to ensure that the property is safeguarded and used for its intended purposes. The following reports identified areas where inventory controls needed improvement.

- Clarendon Family Day Care, Inc., did not maintain complete inventory records, including the location, cost, and source of acquisition for each asset. Instead, management relied solely on its private accounting firm's preparation of the agency's financial statements and tax reports to determine the value of its fixed assets. As a result, there was inadequate documentation to support the accuracy of fixed-asset information, including depreciation expenses, submitted on financial reports.
- The Executive Office of Elder Affairs (EOEA) did not maintain complete inventory records, including dates of acquisition and cost of equipment items, and did not perform an annual physical inventory as required. In addition, some fixed assets lacked an individual property control identification tag number. As a result of these deficiencies, EOEA could not be assured that its fixed assets were properly safeguarded or accurately reported on financial statements.
- Health and Education Services, Inc., was not performing required physical inventories of its fixed assets, was not properly tagging individual equipment items, and was not maintaining a complete and accurate inventory of its property and equipment. As a result, there was inadequate assurance that the agency's fixed assets were properly safeguarded against loss, theft, and misuse. The agency took action while the audit was in progress to tag its fixed assets. Officials also stated that a physical inventory and reconciliation would be conducted at least once every two years.

Questionable or Unallowable Billings and Expenditures

The following examples of questionable or unallowable charges and reimbursements, which reduce funds available for service provision, were noted.

- The Corporation for Public Management, Inc., provided loans totaling \$1,778,121 to four of its affiliated organizations. The terms and conditions of these loans were not documented in formal loan agreements, nor were the loans collateralized. In addition, the agency paid as much as \$191,682 in interest on the loans, which it charged to its state contracts rather than to the affiliated organizations. Under state regulations, expenses such as these, which are not directly program-related, are unallowable and nonreimbursable. Furthermore, the practice of providing loans using state funds is in itself unallowable in that it exposes both the agency and the Commonwealth to a potential loss of funds should a borrowing entity default on its loan.
- The Corporation for Public Management, Inc., during the audit period, charged \$26,554 against its state contracts for gift certificates and bus and movie passes. However, since the agency did not have documentation to substantiate that these certificates and passes were distributed to and utilized by clients in its state-funded programs, this expenditure was unallowable and should be repaid to the Commonwealth.
- Toward Independent Living and Learning, Inc.'s President billed and received from the Commonwealth \$267,334 in salary and related expenses, while also receiving \$120,347 in full-time salary from an affiliated organization. Since the President did not document the days and hours worked for either entity, the validity of the salary expenses received from the Commonwealth during the audit period could not be determined. The OSA recommended that all employees, including agency officials, be required to maintain payroll records in compliance with contracted terms and conditions, and that the Department of Mental Retardation perform a review of the billings submitted by Toward Independent Living and Learning for its President's salary and take appropriate action to resolve this matter.

- Toward Independent Living and Learning, Inc., received at least \$50,836 in payments from the Department of Mental Retardation (DMR) for expenses that were undocumented, inadequately documented, or non-program-related. These payments were made under a cost-reimbursement contract that provided \$90,000 for the operation of the agency's Project Engage Program, which provides family support services. The OSA, after examining billings and reimbursements for this program, recommended that the agency remit to the Commonwealth \$26,648.50 for what appear to be non-program-related expenditures. In addition, given the questionable nature of these expenses, DMR, in conjunction with other appropriate oversight and law enforcement agencies, should conduct its own review of billings for the operation of the Project Engage Program during and subsequent to the audit period, and recover all funds that are owed to the Commonwealth.

Special Audit Section

Department of Mental Retardation: Leasing Practices for Community Residences

The OSA conducted a review of the policies and procedures utilized by the Department of Mental Retardation (DMR) when leasing community residences for its clients. The audit examined issues of economy and efficiency; compliance with applicable laws, rules, and regulations; and costs associated with DMR's leasing activities. Results of the review are detailed below.

- The OSA review determined that DMR was working within the applicable laws, rules, and regulations concerning leasing. However, DMR needed to develop performance measures for determining whether its current policy for leasing property is the most cost-effective way to implement its community-based initiative. In addition, DMR officials needed to work with the Department of Capital Asset Management and other appropriate entities to identify major issues related to the development of community housing and to compare the cost-effectiveness and benefits of various leasing alternatives.

- The OSA review noted that DMR had entered into 78 leases statewide with terms of five, ten, twenty, and thirty years and with various options. Over the life of these leases, DMR will commit in excess of \$120 million. While this cost seems high compared to home purchases, DMR officials indicated that various factors, including placing clients into the community as quickly and safely as possible, were taken into consideration in making policy decisions. DMR also noted in its audit response that the terms of twenty-year leases provide for the titles of these properties to revert to not-for-profit housing organizations for community residences, increasing the likelihood that the properties will remain part of the state's residential capacity to support persons with disabilities. Finally, DMR officials noted that leasing provides flexibility to make future decisions based on housing and financial markets, as well as on the demand for community residences at the time of various lease expirations. The OSA agreed that these are legitimate considerations, but continued to recommend that DMR conduct cost-saving assessments focused on maximizing financial resources within the context of quality service provision.

Initiatives

The following is an update of planned and ongoing initiatives in the area of health and human services.

Review of State-Funded Child Care Services

- The OSA has issued a statewide audit that examines the extent to which state-funded child care services are available to eligible families throughout the Commonwealth. This review includes audit work at the Office for Child Care Services (OCCS), the Department of Education (DOE), and selected day care providers. This review, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

Review of the Salary Reserve Program for Direct Care Workers

- The OSA has issued a statewide review of the policies and procedures established by the Division of Operational Services and state purchasing agencies for implementing, administering, and monitoring the Salary Reserve Program. The audit reviews controls in place at both the state and vendor level to ensure that those eligible to receive funds from these programs are actually receiving them and that all funds are being used for intended purposes. This report, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

Vendor Audits: Corrective Action Follow-Up Review

- The OSA has issued a follow-up review of findings reported in prior vendor audits to determine the status of corrective actions taken and restitutions agreed to and paid. This report, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

Pharmacy Operations

- The OSA is conducting a statewide review of pharmacy operations at state institutions. The audit will include an assessment of inventory controls, as well as a review of the purchasing, receiving, storing, issuing, and safeguarding of controlled and non-controlled substances. The audit will also examine the dispensing of medicines to clients and patients and review compliance with applicable laws, rules, and regulations.
-

Independent and Housing Authority Audits

During the report period, the OSA issued reports relative to 70 independent entities, of which 30 audits were federally mandated reviews of state-administered federal and state programs. One of these reports reviewed certain contract and real estate management activities of the Massachusetts Bay Transportation Authority.

Audit Results

Deficiencies in the Acquisition, Management, and Oversight of Property

During the audit period, the OSA issued a report that examined oversight by the Massachusetts Bay Transportation Authority (MBTA) of Transit Realty Associates, the contractor that manages its real estate activities. The audit reviewed contract compliance issues, including the appropriateness of fees and commissions paid to Transit Realty; costs associated with a cancelled Parking Garage Program; and the selection process for awarding a new five-year real estate management contract. Results of this audit are detailed below.

- The MBTA's contract with Transit Realty Associates provided for the planning, design, and construction of up to 5,000 commuter parking spaces as part of its Parking Garage Program. However, the MBTA did not have a feasible financing plan in place before paying \$1.8 million in design and development fees to Transit Realty and other parties, did not subsequently obtain favorable financing for the project, and ultimately cancelled the project without constructing any additional parking spaces. As a result, the MBTA unnecessarily expended over \$1.2 million in detailed design fees. Furthermore, Transit Realty subcontracted the design services to a company owned by one of its principal officers without seeking competitive bids. This procurement process effectively excluded some firms to the benefit of others and created a potential conflict-of-interest situation.
- The MBTA did not properly monitor certain activities of Transit Realty Associates. Specifically, Transit Realty granted, and the MBTA approved, an unearned credit of \$275,000 to a national communications company for the installation of fiber-optic cable. Transit Realty applied the credit against the company's first year's license fee of \$604,234 before the installation work had even begun and without requiring proper invoice documentation. When this matter was brought to the attention of MBTA and Transit Realty officials, the communications company was billed for repayment of the \$275,000. The full amount was repaid on March 19, 2001.

- The MBTA did not award its new contract for real estate management to the lowest-cost qualified bidder. Instead, the Authority selected the next lowest bidder, Transit Realty Associates, which will cost the MBTA an additional \$941,000 over the term of the five-year contract. However, the new management contract does address issues and concerns raised by the OSA in a previous report, particularly with regard to the payment of commissions and fees. For example, the new contract caps lease commission payments at five years regardless of the length of the lease. Also, the follow-up review found no instances of commissions paid to Transit Realty for work not performed, which indicated that the MBTA more closely monitored payment requests as recommended in a prior OSA report on contracted real estate services.

Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls assist entities in maximizing revenue potential and minimizing vulnerabilities to waste and lost income. The following reports identified areas where oversight, accounting, and other internal controls needed improvement.

- Gloucester Housing Authority did not perform required redeterminations of rental charges for 88 tenants during the fifteen-month period from July 1, 2000 to September 30, 2001. State regulations provide for housing authorities to redetermine rental charges at least annually in order to assure that all tenants are paying fair rents based on current income and allowable deductions. The Authority took immediate corrective action by beginning to perform the overdue tenants' rent redeterminations while the audit was in progress.
- The Massachusetts Development Finance Agency paid \$88,053 in severance payments to seven departing employees, without established policies or procedures for determining how such payments should be calculated. As a result, the Agency made inconsistent severance payments ranging from \$31,748 (26 weeks salary) for a Director of Human Resources with less than a year of service to \$2,306 (three weeks salary) for a loan officer with two years of service. The OSA recommended that the Agency implement a formal policy on employee severance payments and that its Board of Directors approve all severance packages to ensure that these payments are fair, reasonable, and consistent with Agency policy.
- Methuen Housing Authority's financial/operating statements for one of its state-aided programs contained misstatements totaling \$242,746 for the fiscal year ended March 31, 2001. These misstatements included a charge to the Department of Housing and Community Development (DHCD) for painting that was not performed; \$24,000 for a truck purchase that had not been made as of the close of fiscal year 2001; an \$83,524 overstatement in the calculation of its operating subsidy; and \$9,832 in unrecorded interest income. Until the Authority makes the required adjustments to its financial records, reports filed with DHCD will not accurately reflect the Authority's financial activity or condition.

- Tyngsborough Housing Authority, while making some improvements in its accounts receivable records, still had variances between its rent rolls and its General Ledger postings of tenants' accounts receivable. The variances ranged from \$9 to \$1,005 on thirteen occasions. Adjustments to the General Ledger were made by the Authority's fee accountant to balance Authority accounts, but no explanations or supporting documentation for these reconciliations were available.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and recognize agency compliance with OSA recommendations. The following authorities have taken corrective actions as recommended by the OSA.

Dracut Housing Authority

- The Authority has resolved an issue relative to budget overruns that had resulted in additional state subsidies. Although during the audit period the Authority did exceed certain contract costs, the smaller overruns did not necessitate increased state support.

The Massachusetts Bay Transportation Authority (MBTA)

- The MBTA has improved its monitoring of the turnaround time for the repair of its elevators and escalators and, where appropriate, has been levying and collecting fines from its contractor for poor work performance. The audit noted that from the inception of a new repair contract in December 1999 through July 2001, the MBTA cited its contractor for 52 service infractions, assessed fines totaling \$61,949, and collected penalty payments totaling \$50,524.

Pioneer Valley Planning Commission

- The Commission has improved its financial reporting practices by properly disclosing grant funds on hand at the close of its audit period and by reflecting in its audited financial statements recipient grant receipts and disbursements that it processed in a fiduciary capacity.

Initiatives

The following is an update of planned and ongoing OSA initiatives in the area of authority audits.

Massachusetts Bay Transportation Authority (MBTA)	<ul style="list-style-type: none"> ■ The OSA has issued an audit of the MBTA's procurement process for the purchase of low-floor handicapped accessible Greenline cars. The report includes an assessment of MBTA compliance with competitive bidding requirements; contract costs, and operational and safety issues. The audit also examines the efforts undertaken by the MBTA and the contractor to correct operational problems, review the revised timetable for contract completion, and assess the MBTA's legal options for possible contract termination. This report, which will be detailed in the next Semi-Annual Report, is available from the OSA at (617) 727-2075.
Massachusetts Port Authority (Massport)	<ul style="list-style-type: none"> ■ The OSA has issued an audit of Massport's property management activities, with emphasis on lease and rental agreements. This report, which will be detailed in the next Semi-Annual Report, is available from the OSA at (617) 727-2075.
Massachusetts Convention Center Authority	<ul style="list-style-type: none"> ■ The OSA is conducting an audit to determine whether the Massachusetts Convention Center Authority is efficiently and effectively managing its operations. The review will assess internal controls over administrative costs and expenses, the reserving and leasing of Convention Center facilities, employee compensation and related costs, inventory, and the collection and depositing of revenue. The audit will also assess whether the Authority's expenses are appropriate, reasonable, and allowable and examine various compliance issues.

Judiciary/Law Enforcement Audits

During the report period, the OSA issued fifteen judiciary/law enforcement audits. Nine of these reports reviewed Information Technology (IT) activities and are detailed in the IT Audit Section, which begins on page 55. Activities also included technical assistance provided to the Worcester County District Attorney's Office relating to three separate investigations.

Audit Results

Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls help to ensure that state appropriations are spent properly and efficiently, and that funds raised through assessments, fines, and fees are appropriately collected, receipted, recorded, disbursed, and reported. The following reports identified areas where management and accounting controls needed improvement.

- The Essex Sheriff's Department continued to improperly retain and expend revenues, including federal reimbursements and work release funds from prisoners, that should have been transferred to the Commonwealth's General Fund. During the audit period, the Department received \$1,969,273 in revenues, of which \$1,070,123 was retained and expended and \$899,150 was correctly deposited in the General Fund. Although the retained funds were expended on critical project and operational needs, these receipts were General Fund revenue and should have been transferred to the Commonwealth as required. The audit also noted previously cited unresolved revenue retention issues relative to telephone commission revenues and civil process fees. The OSA continued to recommend that the Department obtain legal clarification as to whether these revenues should be transferred to the Commonwealth or may be retained and expended on behalf of inmates or, in the case of civil process fees, for departmental civil process operations.
- The Essex Sheriff's Department did not have written policies and procedures governing the use of corporate credit cards, and did not have adequate internal controls in place to ensure that corporate credit card charges were reasonable, necessary, and adequately supported. During the audit period, the Department charged over \$43,500 to its two American Express corporate credit cards. Although Department records classified all of these expenditures as "training," supporting documentation, such as restaurant receipts, conference descriptions, lists of agency participants, and travel expense authorizations, was not maintained.

- The Fall River District Court's Chief of Probation reported a shortage of \$315 in court fees at the Court's Probation Office. The OSA's subsequent review disclosed internal control weaknesses, including untimely cash reconciliations, which increased the vulnerability of Court receipts to loss, theft, and misuse. Pursuant to the requirements of Chapter 647 of the Acts of 1989, the Internal Control Statute, the OSA made recommendations for improving the control environment at the Probation Office. The audit indicated that while the Probation Office had written internal control procedures, they were not always followed. For example, at the time of the shortage, cash received had not been reconciled to amounts deposited for several days. In addition, because of understaffing, the duties of Office Manager and bookkeeper were performed by one individual, which contributed to an inadequate oversight of the cash receipts function within the Probation Office. In response to OSA recommendations, the Chief of Probation has filled positions and reorganized office procedures to separate transaction duties and improve oversight. As of the close of the audit period, deposits were being reconciled and processed on a daily basis.
- The Fall River District Court did not have a review process to identify forfeited bail funds in a timely manner. The OSA's review of Court bail funds disclosed that 1,442 cases totaling \$109,125 had been unclaimed for three years or more and therefore should have been transferred to the Treasurer's Office as abandoned property. The Clerk Magistrate responded that procedures would be improved and that unclaimed bail funds would be properly transferred in a timely manner.

-
- Quincy District Court's Chief Probation Officer notified the OSA of two cash shortages totaling \$950. The first report stated that an injured party on a restitution court order was accidentally paid \$450 more than he was entitled to receive. The second report stated that a cash shortage of \$500 was discovered in a cashier's cash drawer. Pursuant to the requirements of Chapter 647 of the Acts of 1989, the OSA evaluated controls over accounts at the Court's Probation Office. Both shortages were discovered during cash reconciliations. In the first instance, the bookkeeper discovered the error when the monthly cash reconciliation was performed, and the Probation Office recovered the \$450 overpayment. The cashier discovered the second shortage during a reconciliation of the day's cash on hand to the cash register summary report. The OSA review found that the Probation Office's internal controls over cash receipts properly detected both shortages, which did not represent a pattern of error by Probation Office staff. However, these shortages, and the fact that the second shortage was not recovered, alerted the Probation Office to the need for increased vigilance in the performance of cash transactions.

Prior Audit Results: Corrective Actions

A review of prior audit results is an important component of each OSA audit. This follow-up review helps to monitor and recognize agency compliance with OSA recommendations. Corrective actions based on OSA recommendations were taken by the following entities.

The Essex Sheriff's Department

- The Sheriff's Department has made software revisions and improvements to its inmate account tracking system, which enables staff to reconcile and properly account for inmate funds. During the audit period, the Sheriff's Department was properly reconciling its inmate bank account statement with its computerized inmate account records.

The Quincy District Court

- The Court has increased revenue collections by discontinuing the practice of waiving probation fees for all individuals on supervised probation. In compliance with Chapter 276, MGLs, Court officials were assessing a monthly \$45 probation fee where appropriate.
- The Court has addressed internal control weaknesses that allowed a former Chief Probation Officer to divert drug-testing fees to a private company under his control. Furthermore, in compliance with a directive from the Chief Administrative Justice, the Court no longer charges fees for drug tests.
- The Court has implemented written policies and procedures that address business-related speaking engagements, including offers of honorariums. Furthermore, although Court officials were not able to recover \$8,800 in inappropriate wage payments received by the former Chief Probation Officer, they have improved the maintenance and supervisory review of current attendance records.

Initiatives

The following is an update on an ongoing judiciary/law enforcement initiative.

Review of Forfeited Funds/Property at District Attorneys' Offices

- The OSA is conducting a statewide audit of the forfeited funds and property received by Massachusetts District Attorneys' Offices. The audit will examine the financial records relating to forfeited funds and property and will also evaluate compliance with applicable laws, rules, and regulations, including Chapter 647 of the Acts of 1989, the Internal Control Statute. Specific objectives include a determination of the adequacy of internal controls over forfeitures and whether forfeited funds were expended and forfeited property utilized in accordance with authorized guidelines.

Other Audit Reports

During the report period, the OSA issued audits pertaining to 44 various agencies, boards, commissions, and funds. Twelve of these audits reviewed Information Technology (IT) activities and are detailed in the IT Audit Section, which begins on page 55.

Audit Results

Deficiencies in Contract Procurement and Oversight

The execution of formal contracts in conjunction with adequate contract monitoring helps to contain contract costs and to ensure contract performance. The following entities needed to improve contract administration controls.

- The Corporation for Business, Work, and Learning procured legal and lobbying services without a competitive bidding or formal solicitation process and without signing formal agreements or contracts that stated the scope and duration of services to be provided or the compensation to be paid. As a result, there was inadequate assurance that the entity received the highest quality services at the lowest cost or had an effective mechanism for monitoring contract performance. Entity officials stated in response that they were implementing recommended bidding and contracting procedures.
- The Registry of Motor Vehicles was paying Information Technology (IT) consultants at hourly rates up to six times higher than the maximum hourly rates paid to IT personnel hired as state employees. The OSA recommended that the Registry conduct a cost-benefit analysis to determine whether all or a portion of its IT activities could be carried out more economically by IT employees.
- The Office of the State Treasurer needed to improve contract practices relative to abandoned property custodial banking services. During the audit period, the Treasurer's Office contracted with two banks to perform certain abandoned property functions, such as safeguarding transferred abandoned property and preparing a monthly accounting of portfolio activity and value. The services of one bank were provided under contract amendments that, over two years, increased the maximum dollar obligation of the original contract from \$78,750 to \$198,750. The other bank was providing services under a contract signed July 15, 1996 that contained no termination date. Because the Treasurer's Office did not issue new, competitively bid contracts for custodial banking services, it could not be assured that it was receiving the highest quality services at the lowest responsible price. The audit also noted that the Treasurer's Office was not always using the Commonwealth's standard contract form, which contains a clause that provides the OSA with access to vendors' books and records in accordance with Chapter 11, Section 12, MGLs.

Inadequate Accounting and Administrative Controls

Adequate accounting and administrative controls help to ensure that state appropriations are spent properly and efficiently, and that funds raised through assessments, fines, and fees are appropriately collected, recorded, and disbursed. The following reports identified areas where management and accounting controls needed improvement.

- The Corporation for Business, Work, and Learning's Economic Stabilization Trust, which provides high-risk financing for certain economically viable but troubled businesses, did not properly disclose certain lobbying activities. During the audit period, officials spent \$82,576 on lobbying and public relations activities in support of supplementary appropriation for the Trust. Instead of registering with the lobbyist division of the Office of the Secretary of the Commonwealth, the Trust used its law firm as a conduit for these transactions. The law firm registered as principal employer of the lobbyists and listed them as its legislative agents. As a result, the fact that the Trust was paying for these lobbying activities and was intended to be their chief beneficiary, was not adequately disclosed.
- The Massachusetts Thoroughbred Breeders Association, Inc., as noted in a prior audit, misclassified a restricted award payment of \$100,000 from Suffolk Downs racetrack as general fund revenue. As a result, the entity incorrectly expended \$47,565 of restricted fund revenues. This misclassification, which increased the entity's administrative account and lessened the availability of award payments used to further program objectives, is contrary to the provisions of Chapter 114 of the Acts of 1991. As of the close of the current audit period, the entity had not taken recommended corrective actions, including the reclassifying of the funds in question.
- The Massachusetts Thoroughbred Breeders Association, Inc., was cited in a prior audit for disbursing funds without supporting documentation, contrary to its bylaws and sound business practices. The current audit disclosed that the entity had not taken corrective action to address this deficiency. OSA tests of 23 expenditure transactions found that eleven payments to nine vendors totaling \$10,428 did not have supporting documentation. Without supporting documentation, there is limited assurance that these payments were properly expended.

-
- The Office of State Treasurer, as noted in prior audits, did not perform a monthly reconciliation of custodian banks' statements of transactions activity and investment portfolio balances. The OSA review of these monthly statements disclosed several problems, including pricing errors, subcontractor issues, bonds incorrectly classified as stock, and inaccurate assignments of value. Because the Treasurer's Office did not conduct reconciliations of monthly statements, errors were not detected that resulted in incorrect market values and overstated unrealized gains or losses. In addition, the securities of rightful owners were inadequately protected from loss, theft, or misuse.
 - The Office of the State Treasurer still needed to establish policies and procedures for the liquidation of abandoned property securities, so that after a reasonable amount of time, sales proceeds could be transferred to the Commonwealth's General Fund. The Treasurer's Office had not sold abandoned property securities since 1990, while Chapter 200 A, Section 9, MGLs, allows such liquidating after one year (or in some cases, three years). After that time, a rightful owner would still be recompensed, but would receive the proceeds from the sale rather than the market value of the securities at the time the claim is made.
 - The Registry of Motor Vehicles did not adequately account for at least \$324,000 received from the federal government as part of its participation in a federally sponsored Information Technology (IT) project. These funds were sent directly to the vendor chosen to perform the project work, which, the Registry argued, lessened its responsibility for detailed recordkeeping and even exempted it from the provisions of State Finance Law that address the receipt of federal grant funds. However, sound business practices advocate that agencies maintain records supporting contractual agreements with other entities and documenting expenditures on all agency-related projects and activities. In addition, all federal grant funds are required to be deposited into the State Treasury prior to disbursement for consultant or other services.
 - The Registry of Motor Vehicles staffed four management positions with individuals who belonged to a nonmanagement employees' union. As a result, the Registry was violating the terms of its collective bargaining agreement. In addition, any negotiations between the union and these managers would raise substantial conflict-of-interest issues.
-

Special Audit Section: Revenue-Related Audits

Agency Compliance with Laws, Regulations, and Office of the State Comptroller Policies for Selected Transactions

The Office of the State Auditor, in conjunction with the Single Audit of the Commonwealth, conducted a review of seventeen selected transactions at five state agencies for the purpose of determining agency compliance with applicable laws, rules, and regulations. The audit also examined internal control plans and followed up on prior audit results. Except for the issues noted below, no reportable conditions were disclosed.

- Massasoit Community College did not record all fixed assets in its in-house records or onto the Massachusetts Management Accounting and Reporting System within the time frame required. Specifically, fiscal year 2001 fixed-asset purchases totaling \$964,381 and improvements to heating, ventilating, and electrical systems costing \$412,329 were not recorded until four months into fiscal year 2002. Fixed assets must be reconciled onto the state's electronic system within seven days of acquisition in order to properly account for and record property and equipment owned by the Commonwealth and to ensure that the assets will be incorporated into the Commonwealth's Comprehensive Annual Financial Report.
- The Division of Employment and Training (DET) needed to improve its procedures for calculating the contributions due from Massachusetts employers for the Universal Health Insurance (UHI) used to fund health insurance for unemployed workers. Specifically, DET overstated receivables by \$48,030.35 due to billing employers for UHI contributions they had already made and incorrectly calculating interest owed. DET responded that, effective immediately, supervisory oversight would be increased in order to ensure the accuracy of records and information.

Selected Retirement Boards: Administrative and Operating Expenditures

The OSA reviewed and analyzed the internal controls over administrative and operating costs at the Massachusetts Teachers Retirement Board, the State Employees' Retirement Board, the Massachusetts Port Authority Retirement Board, the Massachusetts Water Resources Authority Retirement Board, and the Massachusetts Housing Finance Agency Retirement Board. The audit also reviewed activities of the Pension Reserves Investment Management Board (PRIM), which is responsible for the assets and pension fund investments of the Massachusetts Teachers Retirement Board and the State Employees' Retirement Board. Results of this review are detailed below.

- Although administrative and operating procedures were generally adequate, the Massachusetts Port Authority Retirement Board, the Massachusetts Housing Finance Agency Retirement Board, and the State Employees' Retirement Board did not have comprehensive written travel policies and procedures. The audit also noted that the absence of statewide policy and criteria relative to retirement board activities makes it difficult to assess what public retirement board travel is reasonable and necessary.
- Three of the seven boards reviewed had vacancies during the audit period. In one case, that of the Massachusetts Turnpike Authority Retirement Board, the vacancy had existed since 1996 largely because the four sitting members had been unable to agree on the person to be appointed as fifth member. Since board members oversee the operations and mission of their agencies, it is important that board vacancies be filled in a timely manner. The OSA recommended that legislation be filed to amend the selection process for board members in cases where a tie vote causes an extended vacancy.
- The Massachusetts Teachers Retirement Board needed to improve internal controls over administrative and operating expenditures. Specifically, payment receipts and expenditure authorizations were not adequately documented, and expenditures totaling \$481,940 were misclassified. These deficiencies were largely the result of the lack of both a comprehensive, fully documented internal control plan and adequate procedures and guidelines for authorizing and processing expenditures.

- The Massachusetts Teachers Retirement Board needed to improve controls over its use of corporate credit cards. Specifically, the business purpose of at least \$1,742 in corporate credit card expenses was inadequately documented. The audit also noted that there were no written regulations, procedures, or internal controls governing the use of these cards by the Board's Executive Director and senior staff. As a result, the Executive Director was permitted to use the corporate credit card for personal expenses, which would then be reimbursed to the Board. The Board agreed that this was not a sound business practice and has initiated appropriate corrective action.

Central Artery/ Tunnel (CAT) Project Force Accounts

- In reviewing the CAT Project's Force Account activities (work performed under cost-reimbursement rather than the Project's more often utilized competitively bid construction contracts), the OSA noted that an account designated for the design of a temporary ramp that branches off the Central Artery above Causeway Street showed no financial activity for more than seven years. Further review indicated that Project design funds of \$1,037,176 had been budgeted for this work before an agreement had been made with the Massachusetts Bay Transportation Authority to pick up these costs as part of its Greenline North Station construction project. Even after the agreement had been made, however, the unused funds were retained in the Force Account, rather than transferred for other use. During the audit period, Project management confirmed that these design costs were not its financial responsibility, resulting in the identification of approximately \$1 million dollars for ongoing Project work. The review of Force Account activities, the estimated cost of which totals approximately \$600 million, is ongoing and will result in additional reports.

Snow and Ice Removal Programs

- The OSA conducted an audit to evaluate the adequacy of the Massachusetts Highway Department's (MHD) and the Metropolitan District Commission's (MDC) internal controls over the expenditure of funds under their Snow and Ice Removal Programs. The audit included a review of the appropriateness of standards for the activation of hired equipment and related expenditures, as well as expenditures for vehicle repairs, materials, and overtime compensation. The audit found that both MHD and MDC had established adequate controls over the expenditure of funds for these programs. Further, administrative controls, including those governing overtime compensation costs, were generally operating as designed. However, the audit did note two areas, activation of contractors and the protection of property and equipment, in which improvements could be made. These issues are discussed below.
- MHD's written policies and procedures relative to the activation of contractors, although adequate, were not uniformly adhered to by district offices. For example, District 5 did not routinely comply with the requirement that hired equipment be used only as a supplement to state equipment and only during storms so severe that state equipment is insufficient to cope with the situation. District 5 officials responded that they used state equipment sparingly in order to reduce the wear and damage that results from snow and ice removal and keep the equipment available for year-round use. The OSA, which noted that other districts were using state-owned equipment before activating outside contractors, recommended that the MDC, which needed, in any case, to update its Maintenance Manual, adjust this requirement or enforce it.
- MHD's Hired Equipment Time Logs, which are source documents for preparing vouchers for payment to vendors, were not adequately secured. In addition, district officials were unsure how long the logs needed to be retained. As a result, the logs were not adequately protected from tampering, and the accuracy of vendor payments sometimes could not be substantiated because the appropriate logs could not be located. Instances were also noted of approval signatures missing from delivery receipts; errors on inventory records for materials; and storage depots left unsecured at times when the property was unsupervised.

-
- The MDC did not secure certain storage yards, even during non-business hours, and did not maintain inventory records for salt and sand. MDC officials agreed to review and improve storage depot security and also to implement an inventory of sand and salt.

Voluntary Contributions: State Income Tax Check-offs

The OSA conducted an audit of the voluntary contributions collected by the Department of Revenue through Massachusetts income tax returns on behalf of the Organ Transplant Fund, the Natural Heritage and Endangered Species Fund, the Massachusetts AIDS Fund, and the Massachusetts United States Olympic Fund. The purpose of the audit was to determine the amount of money contributed to these funds by taxpayers during the review period, the amount of money spent, and whether the expenditures were in compliance with state statutes. Results of this review are delineated below.

- The Organ Transplant Fund, which is administered by the Department of Public Health, assists eligible Massachusetts residents in paying costs associated with medically required organ transplants. The Fund received \$177,620 in fiscal year 2000 and \$1,195,017 from fiscal year 1994 through fiscal year 2000 from voluntary tax contributions. This represented approximately 26% of Fund revenues. In fiscal year 2000, \$132,963 was expended from this account. These expenditures were found to be proper and generally in accordance with applicable laws, rules, and regulations. However, the Fund was operating under internal guidelines, rather than under statutorily required official regulations. In addition, the family income limit of \$60,000 for applicant eligibility had not changed since 1987, and applicants' eligibility status was not periodically recertified. DPH officials responded by developing draft regulations that include a recertification requirement. The audit also noted that the Advisory Council on Organ Transplants, which is required to meet four times a year to help coordinate organ transplant activity within the Commonwealth, has met only once since 1987. DPH officials stated that, consistent with the OSA recommendation, they would assess the future role of the Advisory Council and propose legislation to have the Council reconstituted or eliminated.

-
- The Natural Heritage and Endangered Species Fund, which supports nongame wildlife programs in the Commonwealth, is retained by the State Treasurer's Office and utilized by the Legislature to appropriate funds for two accounts managed by the Division of Fisheries and Wildlife. The Fund's revenue consists of gifts, grants, federal reimbursements, proceeds from Division publications, and voluntary tax contributions. Voluntary tax contributions totaled \$197,411 in fiscal year 2000 and \$1,554,032 from fiscal year 1994 through fiscal year 2000, and make up approximately one third of Fund revenues. In fiscal year 2000, \$755,993 was expended from the Fund, mostly for state and contract employee salaries. The audit found appropriate controls over the Fund's voluntary contributions, as well as compliance with appropriate laws and regulations. However, the audit noted that revenues from Division publications, which are deposited in the Fund, were not properly inventoried or reconciled. Without appropriate records, it was not possible to determine how much publication revenue should have been earned. Division officials, when made aware of this issue, stated that physical inventories of publications would be taken and reconciled with revenues earned from sales.
 - The Massachusetts AIDS Fund, which is administered by the Commissioner of Public Health, is earmarked solely for AIDS research, treatment, and education. The Fund received \$169,294 in fiscal year 2000 and \$1,490,903 from fiscal year 1994 through fiscal year 2000 from voluntary tax contributions. This represented about one third of Fund revenues. The audit noted that certain expenditures made from the AIDS Fund did not appear to be authorized under statute. The questionable expenditures included payments for computers distributed to nonprofit organizations, as well as cash disbursed to subsidize administrative positions within nonprofit organizations. An additional \$15,000 was distributed to a gay pride youth organization, and \$8,367 was paid to maintain a computer at the Department of Public Health (DPH). In addition, procedures for making payments under AIDS Fund contracts needed to be improved. DPH responded that although it believed that all expenditures had been in keeping with the intent of the laws governing the AIDS Fund, it would scrutinize all future expenditures to assure their strict conformity with statutory provisions.
-

- The Massachusetts United States Olympic Fund was established to assist residents of the Commonwealth in paying costs associated with Olympics participation. This Fund received \$55,324 in fiscal year 2000 and \$285,785 from fiscal year 1994 through fiscal year 2000 from voluntary tax contributions, which represented 6.32% of its revenues. The audit noted that, contrary to statutory requirements, Fund revenues were sent directly to the U.S. Olympic Committee and were not earmarked for Massachusetts residents. The Department of Revenue (DOR), which manages this Fund, responded that the Commonwealth needed to enter into a special agreement with the U.S. Olympic Committee that would earmark the state's donation for its resident athletes. Since several states have such agreements, the OSA recommended that DOR take corrective action as quickly as possible on behalf of the Commonwealth and in compliance with statutory provisions.

Prior Audit Results: Corrective Actions

A review of prior audits is an important component of each OSA audit. This follow-up review helps to monitor and recognize agency compliance with OSA recommendations. Corrective actions, based on OSA recommendations, were taken by the following entities.

Statewide Test of Agency Transactions

- The Administrative Office of the Trial Court and the Department of Corrections had resolved issues relative to the recording of fixed assets on the Massachusetts Management Accounting System (MMARS). Both agencies were properly recording fixed assets onto MMARS within seven days of acquisition, as required.
- The Executive Office of Environmental Affairs had developed a complete and documented internal control plan in compliance with Chapter 647 of the Acts of 1989, the Internal Control Statute.
- Northern Essex Community College had improved the documentation and oversight of its nonappropriated fund activity.

Initiatives

The following are among planned and ongoing initiatives relative to various state agencies and programs.

Depression of the Central Artery/Third Harbor Tunnel

- The OSA is reviewing and assessing the system of internal controls that the Massachusetts Highway Department and the Massachusetts Turnpike Authority have established for estimating, monitoring, and controlling project costs in order to identify system weaknesses and opportunities for savings; cost avoidance; and adherence to timing, scheduling, and performance requirements. This audit will result in a series of reports, sixteen of which have been issued.

Review of the Use of Consultants by State Agencies

- The OSA is reviewing and analyzing controls over consultant contracts at selected agencies, as well as agency compliance with applicable laws, rules, and regulations. The audit will include, but not be limited to, an examination of contract payments, performance standards, and duration. Issues such as whether state agencies are paying more for services than necessary or are allowing consultants to supervise state workers will also be addressed.

Review of Revenue Processing by Registry of Deeds Offices

- The OSA has issued a statewide audit of revenue processing by registry of deeds offices in the Commonwealth. The review identifies all sources of fees and revenues and assesses the adequacy of internal controls over the collection, accounting, and depositing of said fees and revenues. This review, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

Single Audit of the Commonwealth

- During fiscal year 2003, the OSA will once again be a partner in performing the “Single Audit of the Commonwealth,” a comprehensive annual audit of the Commonwealth as a whole that encompasses the accounts and activities of all state agencies. This audit satisfies the federal and state requirements to audit the Commonwealth of Massachusetts’ financial operations consisting of its accounts, programs, activities, funds, and functions, as well as specified compliance issues.
- As a partner in the “Single Audit,” the OSA will also provide staff resources for the audit of federal programs to determine whether the state is in compliance with applicable federal laws, rules, and regulations. The OSA will conduct audit procedures that are needed to render an opinion on the Commonwealth’s Comprehensive Annual Financial Report.
- The OSA will also participate substantively in the “Single Audit of the MBTA” by testing certain capital and operating expenditures to determine the MBTA’s compliance with various federal requirements. In addition, the OSA will continue to assist housing authorities and other entities in meeting their responsibilities under the Federal Single Audit Act.

In addition to the reports listed in the Appendix, the following reports are issued annually in compliance with state and federal laws and regulations:

Statutory Basis Financial Report

Comprehensive Annual Financial Report

**Report on Compliance and Internal Control in Accordance with
Government Auditing Standards**

Report on the Requirements of OMB Circular A-133

Report on the Schedule of Expenditures of Federal Awards

Statewide Review of the HR/CMS Payroll System

- The OSA is conducting an audit of the Commonwealth's new payroll system, HR/CMS, to determine whether there are adequate internal controls within the system and at the agency level to safeguard state payrolls. The audit will examine compliance with the Comptroller's Payroll Manual, the HR/CMS Manual, and other applicable criteria.

Statewide Review of Fees for Services

- The OSA has issued an audit that examines whether the fees charged by state agencies for various services, permits, licenses, and inspections are set at the amounts mandated by state laws and regulations. This report, which will be detailed in the next Semi-Annual Report, is available from the Office of the State Auditor at (617) 727-2075.

Statewide Review of Accounts Receivable

- The OSA is conducting an audit to determine whether state agencies are efficiently and effectively managing their accounts receivable. Based on a preliminary analysis, certain agencies will be selected for detailed review. The major focus will be on receivables that are over 90 days old and on policies and procedures for collecting monies owed and for writing off uncollectible bills.

Information Technology Audits

During the report period, the OSA's Information Technology (IT) Audit Division issued eighteen audit reports and eleven management letters detailing strengths and weaknesses of internal controls within IT-related and certain financial-related areas.

Information technology auditing is the process of collecting and evaluating evidence to determine whether computer systems or technology environments are sufficiently controlled to provide reasonable assurance to meet operational and control objectives. Such objectives include: adequately safeguarding assets, maintaining data and system integrity, achieving organizational goals effectively, and consuming resources efficiently. The IT Audit Division conducts general and application internal control examinations that provide an independent, objective appraisal of the adequacy of internal controls over and within information systems and IT processing facilities. Information technology auditing also includes providing technical support to financial and performance auditors in evaluating IT-related or information systems-related controls and retrieving selected information from automated systems.

Audit Results

The primary audit responsibility of the IT Audit Division is to conduct internal control examinations of the Commonwealth's automated systems and IT processing environments. The objective is to determine whether sufficient controls are in effect to provide reasonable assurance that automated systems can be relied upon and that processing can be performed in an accurate, complete, valid, and timely manner. Audit objectives for information systems may include determining whether adequate controls are in place to provide reasonable assurance that control objectives regarding security, integrity, and availability will be met. This Division may also examine financial-related controls, which are generally reported in integrated IT and financial-related audits. Due in part to the impact of the tragic events of September 11, 2001, audit work during this report period has continued to be largely focused on evaluating the adequacy of general security controls over and within the IT process environment. Audit results warranting management attention were disclosed in a number of areas, including disaster recovery and business continuity planning, environmental protection and physical security, system access security, and IT governance, including organization, management, and IT documentation.

Disaster Recovery and Business Continuity Planning

The overall objective of disaster recovery and business continuity planning is to provide reasonable assurance that mission-critical or essential computer operations can be restored within acceptable periods of time in the event of significant disruptions or loss of processing capabilities. Other contingency planning objectives are to safeguard data, programmed software, and critical documentation; to ensure employee safety; to minimize security exposures and system damage; and to reduce the time required to recover from system disruptions or failure.

- The Commission on Judicial Conduct did not have a documented business continuity plan to provide for the timely restoration of mission-critical and essential functions should automated systems be rendered inoperable or inaccessible. In addition, although the Commission was properly performing backup procedures, there was no off-site storage of backup media and no designated alternate-processing site. During the audit period, the Commission began developing a business continuity strategy and drafted a memorandum of agreement with another state agency to serve as the possible location for off-site storage and alternative processing.

-
- The Department of Economic Development did not have a documented and tested disaster recovery and business continuity plan to provide for the timely restoration of mission-critical and essential business functions should its automated systems be rendered inoperable or inaccessible. In addition, the Department had not designated or tested an alternate-processing site. Finally, rather than being removed from the file server, the backup tape copy of its hard drive was being reused the following night when disk backup occurred. This procedure placed the tape in the file server, as well as the file server itself, at risk of destruction in the event of a systems disaster. The Department responded to this finding by beginning to store its backup tapes off site. The OSA recommended that the Department perform a risk analysis and criticality assessment, and then develop, finalize, and test a comprehensive recovery and contingency plan that includes alternate-site processing, back-up tape storage, and strategies for restoring critical business functions.
 - The Department of Mental Retardation–Region III, while making some progress in developing disaster recovery and business continuity strategies, needed to conduct a comprehensive criticality assessment and then document and test a formal recovery plan. Without sufficient disaster recovery planning, including an alternate-processing site, Region III’s administrative office, Hogan facility, and area offices risked being unable to provide critical client services should automated systems be inoperable or inaccessible for an extended period.
 - The Executive Office of Elder Affairs (EOEA) had not implemented a formal, tested disaster recovery and business continuity plan for restoring critical automated systems in a timely manner. In addition, although on-site storage of magnetic media had been provided, there was no off-site storage of magnetic media. As a result, data processing activities that support essential services were at risk of disruption should EOEA’s automated systems be rendered inoperable or inaccessible and off-site copies of programs or data files be required. The OSA recommended that EOEA officials perform a risk analysis and then document, test, and implement a comprehensive recovery plan, including an alternate-processing site.
-

- The George F. Fingold Library needed to amend its business continuity plan to address information technology requirements. The OSA recommended that Library officials perform a detailed analysis of potential risks and exposures to the Library's data processing operation and, based on the results, develop and implement appropriate recovery strategies.
- The Massachusetts College of Liberal Arts did not have a formal, tested disaster recovery and business continuity plan for the timely restoration of critical data processing operations should computer systems be rendered inoperable or inaccessible. Without adequate recovery strategies, including a viable alternative-processing site, the College's administrative and academic activities would be seriously disrupted should automated systems be lost for an extended time. The OSA recommended that the College perform a risk analysis and criticality assessment, and then develop a written disaster recovery and business continuity plan.
- The Massachusetts Office of Business Development did not have a documented and tested business continuity plan detailing approved recovery strategies to be implemented should automated systems be rendered inoperable or inaccessible. In addition, the agency was not sufficiently aware of the level of business continuity planning in place at the Department of Economic Development, which provides its IT support services. The OSA recommended that the Massachusetts Office of Business Development implement recovery strategies appropriate to operational objectives, potential risks and exposures, and the relative importance of Office systems and data.
- Massasoit Community College did not have a formal, tested disaster recovery and business continuity plan. As a result, the College could not be reasonably assured that critical data processing operations could be regained effectively and in a timely manner, should a disaster render automated systems inoperable or inaccessible. The OSA recommended that the College assess the criticality of its automated systems to identify application priorities, conduct a risk analysis, and then develop, review, test, and implement plans and procedures for alternate-site processing and timely restoration of critical business functions.

-
- Middlesex Community College, while initiating certain business continuity and contingency strategies, did not have a sufficiently comprehensive, tested plan for the restoration of automated systems in the event of a disaster. As a result, the College continued to be at risk of loss of processing capabilities, which could affect all administrative and academic functions supported by the data centers. The OSA recommended that the College assess the relative criticality of its automated systems to determine the extent of potential risks to IT operations and then implement tested plans and procedures for alternate-site processing and the timely restoration of critical business functions.
 - The State Office of Minority and Women Business Assistance did not have a documented and tested disaster and business continuity plan to provide for the timely restoration of mission-critical and essential business functions should its automated systems be rendered inoperable or inaccessible. Since this Office is a sub agency of the Department of Economic Development, the OSA recommended a coordinated business continuity planning effort. The resulting plan should designate an alternate processing site and provide adequate assurance that the Office's primary application system, which is accessed through the Department of Economic Development's file server room, would be available, within a reasonable amount of time, in the event of a disaster.
 - The Massachusetts Board of Examiners did not have a formal disaster recovery and business continuity plan to provide reasonable assurance that mission-critical IT operations could be regained effectively and in a timely manner should computer systems be rendered inoperable or inaccessible. The OSA recommended that the Board, in conjunction with the Supreme Judicial Court, should identify application priorities, risks, and exposures relating to the Board's data processing operations and potential processing alternatives. Based upon these results, a written disaster recovery and business continuity plan should be developed, reviewed, tested, and implemented.

Environmental Protection Controls and Physical Security

Proper environmental protection and physical security for data centers, on-site and off-site media storage rooms, and hard copy records serve to minimize significant risks regarding staff safety and damage to, or destruction of, the physical plant, equipment, data, and software. In addition, adequate physical security serves to minimize the risk of unauthorized persons breaching security and gaining entry to areas housing valuable computer-related equipment and information, as well as to client records and other hard copy materials.

- The Brockton Multi-Service Center needed to strengthen environmental protection controls and physical security for the areas within which its file servers were located. For example, because there were no smoke detectors or heat or humidity controls in the server room, IT equipment was exposed to the risk of damage from fire or from temperature extremes. With respect to physical security controls, the door to the server room was not always locked, and detection devices were not in place to identify unauthorized access to the areas housing file servers. As a result, certain IT-related assets were not adequately protected from damage, theft, or unauthorized use. Brockton Multi-Service Center officials responded that they had purchased and were installing an intrusion control system and that they were seeking funds to obtain necessary heat, fire, and humidity detection devices and controls.
- The Commission on Judicial Conduct needed to strengthen physical security over its general office area, its designated computer room, and its confidential records room. For example, during office hours, the doors to the confidential records room were left open. Since the records kept in this room do not have off-site backup and contain materials to which access should be limited, they should be better secured. In addition, there was no intrusion detection alarm system for the office area, computer room, or confidential records room. The audit also recommended that the Commission consider replacing its standard locks and keys with magnetic pass cards or keypunch pads.
- The Department of Economic Development was housing its file servers in an interior room, which was improperly vented and had neither water detectors, temperature monitoring devices, nor automatic shutdown equipment. While the audit was in progress, the Department took corrective action by installing an exhaust fan and thermometer in the file server room and made other modifications to improve air quality.

Inventory Controls: IT- Related Assets

All state entities are required to keep complete inventories of IT resources, such as computer equipment and software, to ensure that these fixed assets are properly safeguarded, accounted for, and used for the purposes intended. In addition, maintaining a complete and accurate inventory of IT resources is a necessary first step to addressing configuration management objectives. Moreover, with respect to software, inventory records and periodic tests should be used to help prevent unnecessary software expenditures, software copyright infringement, and loss or theft of software products. Prevention of the unauthorized installation and use of software also decreases the risk of importing viruses, helps to ensure the integrity of data files, and protects agencies and individuals from the risk of legal action for copyright infringement.

- The Executive Office of Elder Affairs (EOEA) did not maintain a current and complete inventory record of IT-related assets in that computer hardware purchased in the previous two years was not listed and costs were not recorded for all IT equipment items. As a result, EOEA could not be assured that its IT-related fixed assets were adequately safeguarded or accurately reported on financial statements. In addition, EOEA did not maintain a record of software residing on its automated systems and therefore could not readily account for all copies of software or determine whether only authorized software had been installed on its systems. In addition, the absence of a software inventory record precluded an accurate accounting of the total number of software copies allowed under certain license agreements, as well as total software inventory costs.
- Massachusetts College of Liberal Arts did not conduct an annual physical inventory or reconcile inventory records maintained by its computer services departments with its master inventory record. In addition, the master inventory did not include recent purchases or updated location designations. As a result, 25 of 66 IT-related items tested could not be readily located from the master inventory record; 19 of 52 identified items could not be found on the master inventory; and the integrity of the unreconciled listing could not be assured. With respect to software, the College did not maintain an up-to-date, accurate, and complete record and therefore could not properly account for all copies of software installed on its computer systems or assure that controls were sufficient to prevent and detect unauthorized use or copying of software.

- Massasoit Community College had not performed a physical inventory of IT-related assets since July 1999 and was not maintaining a current and complete record of IT-related items. Inventory records did not include all necessary information regarding cost and date of acquisition of individual items and did not include software either as part of the records or on a separate listing. As a result, the College could not be assured that its IT-related assets were adequately safeguarded or accurately reported on financial statements. In addition, the absence of an accurate inventory record for software hindered the College's ability to prevent and detect the installation of unauthorized software on its computer systems.
- Middlesex Community College, while making some progress in improving inventory controls, was still not conducting an annual physical inventory or reconciling the hardware inventory record maintained by its Technology Center with its master inventory. As a result, a number of items were found in locations other than those listed on the master inventory record and the integrity of the unreconciled listing could not be assured.

**IT
Governance:
Organization,
Management,
and Internal
Control
Documentation**

Effective controls need to be in place over the general operation and management of IT facilities and projects related to automation of business functions. The organizational structure must provide a framework that helps ensure that resources are planned for and used in the most beneficial way, assets are safeguarded, reliable information is produced in a timely manner, and compliance with applicable laws and regulations is ensured.

- The Department of Economic Development's internal control plan did not adequately address IT-related functions. Specifically, the internal control plan, which was documented and available for review as required under Chapter 647 of the Acts of 1989, did not include control objectives and control practices for IT functions performed either for the Department itself or for its sub-agencies. Department Officials responded that, subsequent to the audit period, IT-related control procedures were added to the Department's internal control plan, and risk assessment reviews and procedures were being strengthened in conformity with OSA recommendations.
- The Division of Administrative Law Appeals needed to strengthen controls by formally documenting sufficient guidance for performing IT-related functions and operations. Although Division IT operations are limited, overall control practices would be improved by having documented policies and procedures regarding physical security, environmental protection, system access security, business continuity planning, inventory control, information technology planning, risk assessment, and data management.
- Massachusetts College of Liberal Arts needed to enhance IT-related general controls to ensure that IT-related policies and procedures would be uniformly applied across the College at large and would include strategic planning. The OSA recommended that, in addition to documenting policies and procedures for IT inventory control, deactivation of access security privileges, and IT strategic planning, management should establish an IT steering committee in order to provide sufficient formal guidance and oversight to support IT operations.

- The Mental Health Legal Advisors Committee did not have written policies and procedure in place to adequately address IT functions. Although the Committee's IT operations are limited and are supported by office-based systems, overall control practices would be strengthened by documenting policies and procedures regarding access security, physical security, environmental protection, inventory control, business continuity planning, risk assessment, training, and data management.
- Norfolk Probate and Family Court needed to strengthen control practices by formally documenting IT-related functions. Although IT operations were limited at the Court and were supported by centralized Trial Court-based systems, the OSA recommended that the Court have written policies and procedures regarding physical security, environmental protection, access security, business continuity planning, inventory control, risk assessment, training, and data management.

System Access Security

Industry guidelines and baseline controls advocate that appropriate access security controls be in place for mission-critical or high-risk systems to ensure that only authorized personnel obtain system access. Access to automated systems should be granted on a need to know, perform, and protect basis. Written policies and procedures for access security administration should be in place to provide operational rules and guidelines for the security of informational assets and to ensure that appropriate and prompt actions are taken to review unauthorized access attempts. Without system access restrictions, such as the periodic changing or deactivating of passwords and user IDs for individuals no longer requiring or authorized to have access, unauthorized access could be gained, resulting in the risk of system data and programs being disclosed, damaged, deleted, or modified.

- Bristol Community College needed to strengthen certain access security controls to ensure that user IDs and passwords would be active for only authorized personnel and to ensure timely action in closing user accounts. The audit noted active user IDs for three individuals who were no longer employed by the College. Access privileges had not been appropriately deactivated because the security administrator had not been notified of the changes in employment status. The College responded by making the procedural changes necessary to improve oversight and assure prompt notification to the security administrator upon the departure of an employee.
- The Commission on Judicial Conduct needed to strengthen control procedures to ensure that user accounts were promptly deactivated for individuals no longer authorized to use its automated systems. The audit noted IDs and passwords that had been left active for several individuals no longer authorized to use the Commission's automated systems. While the audit was in progress, the Commission disabled the user accounts identified as no longer valid. Commission management also indicated that prompt corrective action would be taken to alter the software governing access to its Local Area Network in order to establish secure settings for password length, password expiration, and password history.

- The Department of Economic Development needed to correct deficiencies in the implementation of the software that governed access to its Local Area Network. The audit noted that security restrictions had not been properly set for password length, password expiration, and password history, which placed the Department and its sub-agencies at increased risk of unauthorized access to their systems. In addition, the Department did not have a policy or procedure for promptly deactivating user accounts for individuals no longer authorized to use its automated systems. As a result, user IDs and passwords were left active for several individuals who were no longer employed by one of its sub-agencies. The Department responded by correcting its server setting to meet proper access security standards and by strengthening other IT-related controls in this area.
- Massachusetts College of Liberal Arts needed to improve procedures for the deactivation of access privileges for individuals no longer authorized to use its automated systems. Specifically, the security administrator was not consistently notified in a timely manner of changes in the employment status of users, and several accounts were found to be active for individuals no longer employed by the College.
- The Massachusetts Trade Office did not have sufficient controls in place to ensure that access privileges were deactivated in a timely manner for individuals no longer authorized to utilize its automated systems. As a result, active user accounts were noted for several individuals who had left the Office's employment. The Office also needed to develop and implement written policies and procedures regarding password formation and use, periodic changes of passwords, and password deactivation.
- Massasoit Community College did not have written policies and procedures for deactivating user accounts, and no written notification was being sent to IT management when an individual left the College's employment. In addition, adequate procedures were not in place for administering passwords and monitoring system access. As a result, there were active accounts for individuals who were no longer employed by the College, and the College's automated systems were potentially vulnerable to unauthorized access, alterations, and deletions. The College responded that it is in the process of addressing the noted system security issues.

- Middlesex Community College officials did not follow their own policies and procedures for informing the Technology Center when an individual terminates employment at the College. As a result, the audit found 197 active accounts belonging to individuals no longer authorized to use the College's automated systems. When this finding was brought to the attention of College management, immediate action was taken to disable these accounts. While there was no evidence that any of these accounts had been utilized after an individual's departure from the College, having such a large number of unauthorized user accounts, some active past their separation date for over a year, placed the College at risk of unauthorized access and loss or alteration of data.

Special Audit Section

Management Letters

During the current review period, the OSA issued a series of eleven management letters pertaining to IT-related general controls, with particular emphasis on computer security issues, including physical security, environmental protection controls, business continuity planning, magnetic media storage, and logical access security. A summary of review results follows.

- Two entities reviewed disclosed no reportable conditions. The OSA observed internal control strengths in the areas of systems access, physical security, environmental protection controls, inventory controls, and, to the extent applicable, business continuity planning. Two other agencies had sufficient controls in the majority of areas tested, but needed to more formally document policies and procedures or the results of disaster recovery tests. One of the agencies took immediate action to address these issues and completed corrective action before the close of the review period.
- In examining IT-related controls at five court departments, the OSA found that, generally speaking, controls were strongest in the areas of physical security, user access authorization, and inventory maintenance. The most often recurring deficiencies included inadequate planning with the Administrative Office of the Trial Court (AOTC) for disaster recovery of automated systems, environmental conditions that needed attention, and password administration weaknesses. In addition, at three court departments, the review noted an insufficient level of general communication with AOTC's IT Department.
- The OSA examined IT-related controls at two divisions of an additional state agency. Although both divisions had taken steps to help ensure adequate physical security, maintain environmental protection controls intended to safeguard automated systems from water and fire damage, properly back up data files and software, and control user access, formally documented policies and procedures needed to be developed in each of these areas. Further, with respect to environmental protection, the data center for both divisions was located below ground level and adjacent to a large window, which raised issues of unauthorized intrusion and potential flooding. The OSA recommended that, if feasible, this data center be relocated.

Initiatives

The following are ongoing initiatives of the IT Audit Division.

Control Objectives for Information and Related Technology (CobiT)

- The IT Audit Division is continuing to implement the CobiT control framework for IT security and control within the Division's audit work programs. All IT Audit Division staff have been trained in the fundamentals of the CobiT control framework.

Technical Assistance

- The IT Audit Division is participating in the Commonwealth's Information Technology Division's Enterprise Security Board to assist in the development of enterprise-based IT security policies.

Changing Security Requirements and Controls

- The IT Audit Division, in large part in response to the events of September 11, 2001, is dedicating expanded resources to the evaluation of general security controls over and within the IT processing environment. Activities are focused on changing security risks and requirements in the context of increased reliance on internet-based systems. Decisions regarding audit engagements will benefit from an increased understanding of current and changing IT-related security risks.

Enforcement Assurance

In carrying out its responsibility to help ensure compliance with state and federal law and to facilitate the recovery of funds owed the Commonwealth, the OSA refers certain audits to enforcement authorities, including the Office of the Attorney General, and to various other investigatory, oversight, and regulatory agencies. In addition, the OSA responds to specific requests to assess the control environment at agencies where thefts or shortages have occurred and to confirm the amount of funds missing. Enforcement activities during this report period are detailed below.

Investigation Pursuant to the Internal Control Statute

New England Aftercare Ministries

Pursuant to the requirements of Chapter 647 of the Acts of 1989, the Department of Public Health (DPH) reported a theft of at least \$24,493 in client funds at New England Aftercare Ministries, a provider agency that derives the majority of its funding through DPH contracts. The report indicated that the provider agency's former Operations Manager had taken the funds. The completed review identified significant internal control deficiencies within the agency, as well as additional missing funds, and made recommendations to correct control weaknesses.

- The OSA review disclosed that New England Aftercare Ministries did not have written policies and procedures for monitoring client fund activity and did not sufficiently segregate financial duties, which allowed the theft to occur. Because the former Operations Manager authorized and approved disbursements from the Residents' Fund and performed Fund reconciliations, he was able to misappropriate \$24,493 in client funds between July 1, 1999 and September 25, 2000. In reviewing bank statements for the previous year, the OSA found at least \$2,953 in additional misappropriated funds, bringing the total to \$27,446.
- The OSA recommended that New England Aftercare Ministries establish and implement effective written policies and procedures to govern administration of the Residents' Fund account. These policies should provide for adequate segregation of duties, detailed Fund reconciliations, and supervisory review. The agency responded by establishing a written policy for the use and control of the Residents' Fund and discontinuing its former practice of using this account to pay for certain agency operating expenses. The agency also replaced the stolen funds through insurance reimbursement, private donations, and the repayment of some money by the former Operations Manager. However, segregation of duties remained inadequate, with the Program Director, as of the close of the audit period, initiating, documenting, and approving account transactions. Until this issue is addressed, the agency's client funds remain vulnerable to theft and misuse.

Review Results

Toward Independent Living and Learning, Inc.

- The OSA audit of Toward Independent Living and Learning, Inc., identified serious financial and administrative deficiencies, including questionable related-party transactions; inadequate internal controls over payroll costs, recordkeeping, and financial reporting; and charges for expenses that were non-program-related and therefore unallowable. The audit also reported that the scope of the review was limited by the entity's inability to provide audit staff with certain requested documents regarding related-party activities. Given the seriousness of the problems identified and the scope limitations imposed, the OSA referred this report to appropriate oversight and funding agencies for further review and action, including the recovery of funds.

Division of Local Mandates

The Division of Local Mandates (DLM) was established by Proposition 2½ to determine the financial impact on cities and towns of proposed or existing state laws and regulations. Section 27C of Chapter 29 of the General Laws generally provides that any post-1980 law or regulation imposing service or cost obligations on cities, towns, regional school districts, or educational collaboratives shall be effective only if locally accepted or fully funded by the Commonwealth. Any protected party aggrieved by such a law or regulation may petition Superior Court to be exempted from compliance until the necessary state funding is provided. DLM's determination of the cost imposed may be offered as prima facie evidence of the state funding necessary to sustain the mandate.

DLM maintains a Legislative Review Program to analyze pending legislation on mandate-related issues. To ensure that the local cost impact of legislation is considered by the General Court, DLM reviews thousands of bills, prepares preliminary cost studies, and contacts members of the Legislature to make them aware of the Auditor's concerns. In addition, DLM responds to requests from individual legislators, legislative committees, municipalities, and governmental associations.

Chapter 126 of the Acts of 1984 expanded DLM's powers of review by authorizing DLM to examine any state law or regulation that has a significant local cost impact, regardless of whether it satisfies the more technical standards for a mandate determination. This statute is codified as Section 6B of Chapter 11 of the General Laws. Chapter 126 reviews include cost-benefit analyses and recommendations to the General Court.

Through these functions, DLM works to ensure that state policy is responsive to local fiscal realities, so that cities and towns can maintain autonomy in setting municipal budget priorities.

The following section highlights samples of this work during the reporting period.

Mandate Determinations and Legislative Studies

Training for Plumbing and Gas Fitting Inspectors

Ashland's Town Manager requested an opinion as to whether the Local Mandate Law applies to Chapter 370 of the Acts of 2000. This law requires inspectors of plumbing and gas fitting to complete a minimum of twelve hours of continuing education per year. It is DLM's opinion that the Local Mandate Law is not applicable in this case because the continuing education requirement was adopted "notwithstanding any general or special law to the contrary." The Supreme Judicial Court has ruled that despite Proposition 2½'s origins in initiative petition, the Legislature is free to override or amend its provisions like any other law.

The review also noted that the law imposes the training mandate on inspectors rather than on the municipal employer. According to the Division of Professional Licensure, most municipal employers are likely to absorb the cost of continuing education for the more than 300 plumbing and gas fitting inspectors in Massachusetts. However, the law does not require them to do so. Furthermore, should Ashland's collective bargaining agreements require the town to assume the cost of continuing education, court precedent indicates that such agreements, by their nature, are not imposed on a municipality and would be considered a form of voluntary acceptance of training mandates.

The fee for eight hours of mandatory classroom training is expected to be \$150 annually. Regional four-hour-long training sessions will be available and will be offered on weekdays, nights, and Saturdays. The remaining four hours of training can be completed at little or no cost by attending plumbing and gas fitting association meetings and trade shows.

School Aid and Fiscal 2003 Budget Deliberations

In response to a request from Sturbridge's Town Administrator, Auditor DeNucci wrote to the chairmen of the Joint Committee on Ways and Means concerning school aid and the Fiscal Year 2003 Budget. The Auditor asked for a measure to address certain recognized inequities in Chapter 70 aid distributions that stem from the pre-Education Reform formula. This matter affects a large number of communities that receive less aid as a percentage of their foundation budgets than other communities that are arguably more able to support their schools. Auditor DeNucci also asked the Ways and Means Committee to support a remedy recommended by the Foundation Budget Review Commission.

This proposal would allocate "adjustment aid" to bring the state share of each district's foundation budget up to a fair level, as determined by local wealth factors. Department of Education data indicates that a phased-in approach, capping the fiscal 2003 increase for any district at ten percent, would require approximately \$37 million. This would generate additional aid for 179 districts.

House 4409: An Act Relative to the Curriculum in the Public Schools

At the request of the Senate Committee on Ways and Means, DLM reviewed House 4409 as engrossed by the House, a proposal to require the Board of Education to establish guidelines requiring that public schools provide students with alternatives to the dissection of animals. In DLM's view, the Local Mandate Law would not apply to this bill because no-cost options for compliance are available to school districts.

The review noted, for example, that there is computer software available at no charge that simulates the dissection experience. Additionally, under this bill, schools are not prohibited from assigning a writing or diagramming requirement as an alternative to dissection. In light of these no-cost compliance options, House 4409, if enacted, would not impose additional costs upon localities and would not invoke the Local Mandate Law.

**Senate 2092:
An Act Relative
to the
Inspection,
Registration,
Construction,
and
Reconstruction
of Dams**

The Senate Committee on Ways and Means requested an opinion as to whether the Local Mandate Law would apply to Senate 2092, pertaining to the safety of reservoirs and dams. The bill contains several proposed changes to current law and regulations that could potentially result in new costs to those cities and towns that own dams. One provision, for example, would shift the responsibility for conducting periodic inspections of dams from the Department of Environmental Management (DEM) to owners of dams, including municipalities.

DLM responded with an opinion that Senate 2092 would not impose mandates within the meaning of the Local Mandate Law, primarily because the bill would impose obligations generally applicable to both the public and private sectors. In addition, although the Local Mandate Law was adopted as part of Proposition 2 1/2 to protect municipalities from state imposed costs, it does not shield cities and towns from every type of state requirement resulting in additional local spending. The courts have ruled that the Local Mandate Law applies only to state laws and regulations that impose cost obligations upon cities and towns. According to several court decisions, this definition does not include generally applicable state regulation of an activity voluntarily undertaken by municipalities.

Specifically, the requirements contained in the dam safety law, regulations, and proposed bill are generally applicable to all entities owning and operating dams, and not directed particularly at public dam owners. Owners are defined in the DEM regulations as “the person, persons, including any individual, firm, partnership, municipality, agency... holding legal title of the dam.” Information DLM staff gathered during past reviews of this issue indicates that not more than 22% (650) of the approximately 3,000 dams in the state are municipally owned, while several hundred are under state ownership. Thus, the majority of dam owners that DEM governs are private sector entities.

Additionally, there is no state law or regulation that requires cities and towns to construct and operate dams. Those that have chosen to do so fall under the oversight of DEM and its enforcement provisions, which are applicable to all dam owners. Finally, the oversight and enforcement provisions regulating the construction, reconstruction, or alteration of dams, and those that require owners to ensure the safety and adequacy of the dams they operate, have been in effect since 1875, and therefore long predate the Local Mandate Law.

Initiatives

Medicaid Reimbursements for Special Education Medical Services

During this reporting period, the Division of Local Mandates conducted preliminary research in preparation for a review of the Municipal Medicaid Program. DLM staff requested assistance from the Department of Education and the Division of Medical Assistance of the Executive Office of Health and Human Services. The primary purpose of this proposed study is to follow up on recommendations made by the State Auditor's Division of Local Mandates to ease the local financial burden of supporting special education services. Among other things, the 1991 *State Auditor's Report on Special Education in Massachusetts* offered a number of suggestions relative to federal Medicaid reimbursement for medically related special education services. DLM intends to review implementation of the Municipal Medicaid Program to learn whether there may be ways to further maximize this source of federal revenue. This work will be conducted under the authority of Section 6B of Chapter 11, MGLs.

Legislation

A new law, effective July 1, 2002, and summarized in this section, transferred the Bureau of Special Investigations from the Department of Revenue to the Office of the State Auditor. This transfer adds significant new investigative and monitoring duties to the work of the State Auditor.

This section also contains a summary of pending bills developed and filed by the OSA for the 2001/2002 legislative session. OSA bills either directly affect the OSA or address significant audit results and therefore complement audit recommendations by suggesting systemic improvements.

Chapter 184 of the Acts of 2002 Commonwealth of Massachusetts Fiscal Year 2003 State Budget (Line Item 0710-0200)

This budgetary initiative establishes the Bureau of Special Investigations, which had operated as an office under the Department of Revenue, as a division of the OSA. The Bureau is charged with investigating fraudulent claims for payment or services under assistance programs administered by the Department of Transitional Assistance, Department of Medical Assistance, and the Department of Social Services. In carrying out these duties, the Bureau works closely with these agencies as well as with state and federal law and tax enforcement agencies. This coordinated effort to effectively combat public assistance fraud helps to maximize funds available for services and to ensure that these funds are expended legally and for the purposes intended.

House 4

An Act Clarifying the Scope of the Local Mandate Law

This bill would clarify the scope of municipal protection provided pursuant to Section 27C of Chapter 29, MGLs, the so-called Local Mandate Law. The statute provides that any law taking effect on or after January 1, 1981 that imposes any additional costs upon a city or town will be effective only if fully funded by the Commonwealth or if locally accepted. In addition, it provides that any post-1980 administrative regulation or law granting or increasing exemption from local taxation is not to be effective unless fully funded by the Commonwealth.

Certain court decisions over the past few years have both narrowed the scope of the Local Mandate Law's protection and created confusion. Consistent with the original intent of the law, House 4 would define "local mandate" to include post-1980 state laws and regulations that require a municipality to make additional expenditures to maintain any new or existing local activity, to undertake a service previously performed by the Commonwealth or a county, or to initiate or expand a contracted service. The bill also contains provisions that would allow for the reimbursement of legal costs incurred by a municipality in a successful mandate challenge and authorizes courts to grant an interim exemption from compliance. This bill would update the Local Mandate Law and establish a more useful standard for responding to local mandate issues.

House 5

An Act Providing for Uniform Administrative Standards in the Audit of Federal Aid Funds Received by State Agencies

This legislation would provide for uniform standards and overall coordination in the audit of federal aid funds. Under this bill, the OSA would receive notice from state agencies of federal aid funds to be audited, would assist agencies in setting the scope and standards for various kinds of audits, and would receive such audits when completed by private firms. The intent of the legislation is to ensure that agencies contract for and obtain audits that meet the requirements of all federal and state statutes and regulations and that audit duplication and expenses are reduced.

House 6

An Act Relative to Certain Requests for Local Audits

This bill would authorize the State Auditor to conduct audits of municipal departments if requested to do so by the governing or legislative body of a city or town. In recent years the Auditor has received an increasing number of such requests, which must be turned down because, under current law, the OSA cannot conduct audits of entities under the audit authority of the Bureau of Accounts within the Department of Revenue.

Currently, municipalities that want audit work, in addition to their required annual audit, can petition the Bureau of Accounts “to cause an audit to be made.” Municipalities, under the direction of the Bureau, then contract for this work to be done on a limited basis by a private accounting firm. Although this procedure works well in most cases, there are instances in which municipal officials would like a particular review to be conducted by the State Auditor’s Office. The Auditor would like to have the flexibility to respond positively to such requests.

House 7**An Act Providing for Review of Agency Fiscal Effect Statements by the State Auditor**

This bill would amend Sections 2 and 3 of Chapter 30A, MGLs, by adding the State Auditor's Division of Local Mandates (DLM) to the listing of agencies to be notified of an upcoming hearing for any proposed regulation that may result in increased expenditures by a city, town, regional school district, or educational collaborative. It would also provide that the fiscal effect statement currently required by Section 5 of Chapter 30A related to the impact of proposed regulatory changes on municipalities and educational entities be filed with DLM.

House 7 would enhance the integrity of the fiscal effect process and ensure that the financial impact of proposed regulations on cities and towns is carefully considered within the current administrative process.

Private Occupational Schools: Financial Evaluations

Chapters 75C, 75D, and 93 of the Massachusetts General Laws require the Office of the State Auditor and the Department of Education to annually evaluate the financial and academic qualifications, respectively, of applicants for licensure or registration as private business, trade, or correspondence schools. Schools conducted by employers to train their employees and schools or colleges, chartered or otherwise authorized by the Commonwealth, are exempt from the mandate of the statutes. These consumer protection statutes were enacted to ensure that private occupational schools are both financially and academically qualified to operate in Massachusetts.

Prior to licensure or registration by the Department of Education, all such non-degree-granting business, trade, and correspondence schools are required to submit financial statements to the OSA. This information is evaluated to determine the solvency of each applicant. Those schools determined to be financially qualified for licensure or registration must then secure tuition protection in the amount recommended by the OSA.

Massachusetts statutes require the OSA to annually determine each school's appropriate tuition protection level, which may take the form of a surety bond, an irrevocable letter of credit, or a term deposit account payable to the Commonwealth. This consumer protection is intended to cover potential tuition refunds to students resulting from fraud, deceptive student recruitment practices, or a breach of contract by the school.

At the close of fiscal year 2002, there were 175 active private occupational schools financially certified for Massachusetts licensure or registration. During the six-month period ended June 30, 2002, the OSA performed 71 financial evaluations. Thirteen schools represented first-time applicants, 58 reviews covered renewal applications, and eight previously approved schools were reclassified as inactive.

Programs of study offered by private occupational schools include appliance repair, broadcasting, business administration, computer skills, commercial art, fashion design, floral design, holistic health care, home health aide/certified nurses' assistant training, industrial technology, modeling, photography, plumbing, secretarial skills, sign painting, tractor trailer training, travel agent training, and ultrasound technology.

Appendix

Audit Reports Issued

Education Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Bristol Community College: Information Technology-Related Controls and the Billing and Receivable System	2002-0191-4C	2/28/02
2. Framingham State College	2001-0179-3	1/4/02
3. Massachusetts College of Liberal Arts: Information Technology and Financial-Related Controls	2002-0183-4C	1/31/02
4. Massasoit Community College: Information Technology-Related Controls	2002-0197-4C	4/16/02
5. Middlesex Community College: Information Technology-Related Controls	2002-0199-4C	5/17/02
6. Roxbury Community College: Federal Student Financial Assistance Programs	2002-0204-2S1	2/22/02
7. Salem State College: Federal Student Financial Assistance Programs	2002-0186-2S	4/8/02
8. Sturgis Charter School	2001-4426-3	5/29/02
9. University of Massachusetts/Amherst-Auxiliary Dining Services: Fruit and Vegetable Contract	2001-0213-3	6/19/02
10. Westfield State College	2001-0185-3	3/26/02

Human Services Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Brockton Multi-Service Center: Information Technology-Related Controls	2002-0853-4T	6/20/02
2. Clarendon Family Day Care, Inc.	2002-4432-3	4/5/02
3. Corporation for Public Management, Inc.	2000-4421-3	5/14/02
4. Department of Mental Health-Western Massachusetts Area Office: Selected Information Technology-Related Controls	2002-0237-4T	6/10/02
5. Department of Mental Retardation Region III (Northeast):Information Technology-Related Controls	2002-0247-4T	5/13/02
6. Department of Mental Retardation: Leasing Practices for Community Residences	2000-0234-3	6/24/02
7. Executive Office of Elder Affairs	2002-5014-2S	4/30/02
8. Executive Office of Elder Affairs-Information Technology-Related Controls	2001-0004-4C	2/28/02
9. Health & Education Services, Inc.	2000-4423-3	1/25/02
10. New England Aftercare Ministries, Inc.	2001-4431-12	2/1/02
11. Office of Child Care Services	2002-5009-2S	1/31/02
12. Toward Independent Living and Learning, Inc.	2000-4396-3	1/7/02

Independent Authority Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Berkshire Regional Planning Commission	2002-0573-3A	4/24/02
2. Brockton Redevelopment Authority	2002-0622-8F	2/13/02
3. Cape Cod Regional Transit Authority	2002-1008-3A	3/21/02
4. Franklin Regional Transit Authority	2002-1275-3A	2/25/02
5. Lawrence Redevelopment Authority	2002-0689-3A	4/22/02
6. Lowell Regional Transit Authority	2002-0882-3A	3/6/02
7. Massachusetts Bay Transportation Authority (2 Entities) Massachusetts Bay Transportation Authority Transit Realty Associates, L.L.C.	2001-2513-3	4/3/02
8. Massachusetts Development Finance Agency	2001-0410-3	4/2/02
9. Merrimack Valley Regional Planning Commission	2002-0576-3A	5/31/02
10. Pioneer Valley Planning Commission	2002-0575-3A	4/10/02

Judiciary/Law Enforcement Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Commission on Judicial Conduct: Information Technology-Related Controls	2002-1129-4T	4/12/02
2. Essex County Sheriff's Department	2001-1433-3	2/22/02
3. Fall River District Court-Probation Department	2001-1193-12	1/8/02
4. Franklin County Probate and Family Court: Information Technology-Related Controls	2002-1228-4T	6/27/02
5. Franklin County Superior Court: Information Technology-Related Controls	2002-1116-4T	6/28/02
6. Hampshire County Superior Court: Information Technology-Related Controls	2002-1114-4T	3/8/02
7. Hingham District Court: Information Technology-Related Controls	2002-1199-4T	5/10/02
8. Housing Court Department, Western Division: Information Technology-Related Controls	2002-1212-4T	6/27/02
9. Massachusetts Board of Bar Examiners: Information Technology-Related Controls	2002-1103-4T	5/30/02
10. Mental Health Legal Advisors Committee: Information Technology-Related Controls	2002-1105-4T	4/26/02
11. Norfolk Probate and Family Court: Information Technology-Related Controls	2002-1224-4T	6/24/02
12. Quincy District Court-Probation Department	2001-1161-12	1/8/02
13. Technical Assistance Provided to Worcester County District Attorney's Office	2002-6011-9O	6/6/02
14. Technical Assistance Provided to Worcester County District Attorney's Office	2002-6014-9O	4/22/02
15. Technical Assistance Provided to Worcester County District Attorney's Office	2002-6018-9O	4/22/02

Local Housing Authority Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Ayer Housing Authority	2002-1037-3A	2/4/02
2. Beverly Housing Authority	2002-0612-3A	3/4/02
3. Blackstone Housing Authority	2002-0615-3A	6/27/02
4. Brewster Housing Authority	2002-0659-3A	6/5/02
5. Chatham Housing Authority	2002-0629-3A	1/9/02
6. Dracut Housing Authority	2002-0843-3A	3/5/02
7. Franklin Housing Authority	2002-0660-3A	3/28/02
8. Gloucester Housing Authority	2002-0665-3A	2/11/02
9. Holliston Housing Authority	2002-0677-3A	5/30/02
10. Hull Housing Authority	2002-0683-3A	4/12/02
11. Lexington Housing Authority	2002-0694-3A	6/19/02
12. Lowell Housing Authority	2002-0696-3A	5/13/02
13. Methuen Housing Authority	2002-0718-3A	2/11/02
14. Millis Housing Authority	2002-0725-3A	3/28/02
15. Nahant Housing Authority	2002-0728-3A	1/22/02
16. North Attleboro Housing Authority	2002-0743-3A	6/5/02
17. Peabody Housing Authority	2002-0754-3A	5/24/02
18. Pepperell Housing Authority	2002-1071-3A	1/17/02
19. Provincetown Housing Authority	2002-1049-3A	3/4/02
20. Rowley Housing Authority	2002-0768-3A	5/20/02
21. Somerset Housing Authority	2002-0777-11A	6/18/02
22. Southwick Housing Authority	2002-0783-3A	6/6/02
23. Sterling Housing Authority	2002-0787-3A	6/6/02
24. Sudbury Housing Authority	2002-0830-3A	3/27/02
25. Templeton Housing Authority	2002-0872-3A	5/30/02
26. Tyngsborough Housing Authority	2002-1072-3A	3/4/02
27. Walpole Housing Authority	2002-0800-3A	4/4/02
28. West Boylston Housing Authority	2002-1278-3A	6/6/02
29. Wilbraham Housing Authority	2002-0818-3A	1/9/02

Single Audits of Housing Authorities

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Belmont Housing Authority	2002-0611-8F	3/15/02
2. Billerica Housing Authority	2002-0614-8F	1/22/02
3. Bourne Housing Authority	2002-0618-8F	1/30/02
4. Braintree Housing Authority	2002-0619-8F	5/20/02
5. Brookline Housing Authority	2002-0623-8F	1/17/02
6. Burlington Housing Authority	2002-0625-8F	1/17/02
7. Chicopee Housing Authority	2002-0633-8F	6/10/02
8. Concord Housing Authority	2002-0637-8F	5/10/02
9. Danvers Housing Authority	2002-0639-8F	4/4/02
10. Dartmouth Housing Authority	2002-0640-8F	2/14/02
11. Dedham Housing Authority	2002-0641-8F	5/10/02
12. Easton Housing Authority	2002-0648-8F	5/22/02
13. Everett Housing Authority	2002-0650-8F	6/12/02
14. Fall River Housing Authority	2002-0652-8F	2/8/02
15. Falmouth Housing Authority	2002-0654-8F	5/1/02
16. Gardner Housing Authority	2002-0662-8F	6/7/02
17. Haverhill Housing Authority	2002-0673-8F	6/10/02
18. Ipswich Housing Authority	2002-0685-8F	1/4/02
19. Milford Housing Authority	2002-0722-8F	1/22/02
20. Oxford Housing Authority	2002-0751-8F	2/21/02
21. Pembroke Housing Authority	2002-0756-8F	5/1/02
22. Reading Housing Authority	2002-0764-8F	2/14/02
23. Revere Housing Authority	2002-0765-8F	1/30/02
24. Rockport Housing Authority	2002-0767-8F	6/25/02
25. Springfield Housing Authority	2002-0785-8F	2/8/02
26. Stoughton Housing Authority	2002-0789-8F	6/7/02
27. Wayland Housing Authority	2002-0806-8F	5/10/02
28. West Springfield Housing Authority	2002-0814-8F	2/8/02
29. Woburn Housing Authority	2002-0823-8F	6/7/02
30. Worcester Housing Authority	2002-0825-8F	1/9/02

Other Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
1. Administrative and Operating Expenditures of Selected Retirement Boards: <i>(7 Entities)</i> Mass. Teachers Retirement Board State Employees' Retirement Board Mass. Turnpike Authority Retirement Bd. Massport Retirement Board MWRA Retirement Board MHFA Retirement Board PRIM Board	2001-5084-2	1/31/02
2. Corporation For Business, Work, and Learning d/b/a Commonwealth Corporation	2001-1326-3	4/23/02
3. Department of Economic Development: Information Technology-Related Controls	2002-0007-4T	6/28/02
4. Department of Veterans' Services: Selected Information Technology-Related Controls	2002-0018-4T	6/10/02
5. Division of Administrative Law Appeals: Information Technology-Related Controls	2002-0345-4T	6/21/02
6. Division of Environmental Law Enforcement: Information Technology-Related Controls	2002-0281-4T	2/28/02
7. Division of Fisheries & Wildlife: Statement of Project Costs Incurred Under U. S. Fish and Wildlife Service Grants	2001-3060-2	2/21/02
8. Division of Marine Fisheries: Information Technology-Related Controls	2002-0282-4T	2/28/02
9. George E. Fingold Library: Information Technology-Related Controls	2002-0037-4T	1/31/02
10. Group Insurance Commission	2002-0040-5	4/23/02
11. Labor Relations Commission	2002-0230-2S	4/9/02
12. Massachusetts Highway Department- Land Acquisition by Eminent Domain	2002-0506-3C	3/13/02
13. Massachusetts Office of Business Development: Information Technology- Related Controls	2002-0133-4T	6/27/02
14. Massachusetts Office of Film & Video: Information Technology-Related Controls	2002-0149-4T	6/27/02
15. Massachusetts Thoroughbred Breeders Association, Inc.	2001-1352-2	2/6/02
16. Massachusetts Trade Office: Information Technology-Related Controls	2002-0159-4T	6/27/02

Other Audits

AUDIT	AUDIT NUMBER	ISSUE DATE
17. Massachusetts Turnpike Authority's Central Artery/Third Harbor Tunnel Project-Force Accounts	2002-0510-3C3	6/26/02
18. Merit Rating Board-Information Technology-Related Controls	2002-0906-4T	3/8/02
19. Office of the Sergeant-At-Arms: Information Technology-Related Controls	2002-0235-4T	2/28/02
20. Office of the State Treasurer: Certain Abandoned Property Activities (3 Entities) Office of the State Treasurer Investors Bank and Trust Company Fleet Investment Services	2001-0085-2	3/26/02
21. Registry of Motor Vehicles	2000-0511-3	2/14/02
22. Snow and Ice Removal Programs at the Massachusetts Highway Department and the Metropolitan District Commission	2000-4077-3	4/29/02
23. State Office of Minority and Women Business Assistance: Information Technology-Related Controls	2002-0158-4T	6/28/02
24. State Racing Commission	2002-0068-3O	4/2/02
25. Statewide Transaction Testing - F.Y. 2001 (5 Agencies) State Lottery Commission Department of Housing & Community Development Division of Employment & Training Framingham State College Massasoit Community College	2002-5007-2S	2/21/02
26. Voluntary Contributions on Tax Returns (7 Entities) Department of Revenue Department of Public Health Dept. of Fisheries, Wildlife, & Environmental Law Enforcement Organ Transplant Fund Natural Heritage & Endangered Species Fund Massachusetts AIDS Fund Mass. U.S. Olympic Fund	2000-5078-2	2/22/02